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Q1 2022 Brookfield Renewable Partners LP and Brookfield Renewable Corp Earnings Call

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PRESENTATION

Operator

Hello, and welcome to the BEP First Quarter 2022 Results Conference Call and Webcast. (Operator Instructions)

It is now my pleasure to introduce CEO, Connor Teskey.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Thank you, operator. Good morning, everyone, and thank you for joining us for our first quarter 2022 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.

To kick off today's call, we will provide an update on the business. After my remarks, Natalie Adomait, Managing Partner and Chief Investment Officer of Transition Investing, will give an update on our growth initiatives. And then Wyatt will provide an overview on our operating results as well as our balance sheet and liquidity.

Following those prepared remarks, we look forward to taking your questions. Our business performed well in the first quarter. We continue to execute on acquiring assets for value, enhancing the cash flows of those assets with our operating capabilities and leveraging our capabilities to drive decarbonization across the business. Clean energy occupies a uniquely complementary position to the global goals of low-cost energy, net-zero emissions and energy security. Put simply, the wind and the sun do not need to be imported and don't rely on substantial transportation infrastructure. These underappreciated benefits will become increasingly more relevant as energy security becomes a higher priority.

This represents yet an additional tailwind to our business. And together with accelerating decarbonization trends, we'll continue to enhance the position of investors such as ourselves with capital operating capabilities and the development pipeline to accelerate the build-out of renewables at scale. We are seeing this trend actively play out within our own portfolio. An example is our recently acquired German utility scale solar developer.

In February, Germany's government announced an acceleration of the country's decarbonization targets including increasing its target for solar to 200 gigawatts of capacity. As a result, we have injected additional capital into growing that business and we are currently accelerating our business plan, including doubling the expected megawatts that will achieve ready-to-build status in the next 2 years.

With a very substantial global development pipeline, which now sits at 69,000 megawatts, we expect to see several other opportunities to pull forward development and accelerate the deployment of capital at accretive returns throughout our portfolio.

Some recent highlights for our business include: we generated funds from operations of \$243 million or \$0.38 per unit, an 18% increase on a normalized basis over the same period in 2021; we secured contracts to deliver over 1,400 gigawatt hours of clean energy annually, including 500 gigawatt hours to corporate off-takers; we continued to execute on our 15,000 megawatt under construction and advanced stage development pipeline; we closed or agreed to invest over \$1.6 billion of capital across multiple transactions and regions, including our first investment in carbon capture solutions; and finally, we are progressing on approximately \$560 million of asset-recycling activities, selling non-core and mature assets, all while maintaining our robust financial capacity with almost \$4 billion of available liquidity, no near-term maturities -- no material near-term maturities and limited floating rate exposure.

Next, we want to spend a few minutes on our outlook for the business in light of inflation and supply chain trends. At Central Bank's tightened monetary policy, markets are increasingly focused on the potential for sustained inflation in the future. We are very fortunate that regardless of whether inflation is either transitory or sustained, we expect our business to perform well.

In fact, we see inflation as a tailwind for our operating assets given that approximately 70% of our contracts are indexed to inflation and have largely fixed cost structures. Perhaps most notable in this market, the cost of our primary inputs, sun, wind and water remains unchanged to where it was a year ago, which is they still cost 0, which compares to an over 50% increase in energy input costs for most alternative electricity generation.

The compounding effect of inflating revenue streams should drive meaningful operating leverage across our business given that we have a relatively fixed cost and almost exclusively fixed-rate debt. Our 15,000 megawatts of under construction and advanced stage development assets benefit from our focus on avoiding risk. We virtually always lock in the cost of major components when we sign a revenue contract. As a result, we believe we have matched our costs and revenues and locked in a large share of our target return. And while global supply chain disruptions continue to impact industry broadly, we remain well positioned as our diversified pipeline means we have no singular exposure to any country or technology.

We have also secured inputs for substantially all development projects where we have signed a revenue contract and therefore have a delivery obligation. Most importantly, our scale, centralized procurement function, and strong relationships with both suppliers and customers allows us to manage these issues such that their net impact has not been material to our business. Overall, we have no concerns that these supply chain challenges will slow the growth of our business. In fact, it very likely could create opportunities for us as these challenges have reduced the supply of new projects as some developers will walk away or delay their projects, which, when combined with the continued growth in demand for clean energy has increased the value of high-quality ready-to-build projects that can meet customers' near-term needs.

We are very fortunate to have many such projects in our pipeline and are seeing significant demand for their future generation in the form of higher PPA prices. In addition, elevated and volatile global energy prices has: one, reinforced wind and solar's position as the cheapest form of bulk electricity production; and two, demonstrated the benefit of generation that is not subject to variable input costs. As such, we are confident that inflation or supply chain pressures will not drive a slowdown in the adoption of clean energy globally.

In fact, we're seeing the opposite. We have seen a strong willingness from buyers of clean energy to accept higher prices as the benefits of decarbonization, energy security and price stability far outweigh the small increases in costs we are facing. We see tremendous tailwinds for both our sector as well as our business specifically which should lead to a strong year in 2022 for Brookfield Renewable.

With that, I'll turn the call over to Natalie to discuss our growth initiatives.

Natalie Johanna Adomait *Brookfield Renewable Partners L.P. - Managing Partner of Renewable Power & Transition*

Thanks, Connor, and good morning, everyone. I'm pleased to be with you here today to talk about some of our recent growth initiatives and some of the exciting opportunities that we see for our business in the near term. Decarbonization has been firmly established as a priority of global leaders and climate change, while climate change has been a focused topic for governments for years, the pace at which corporates are making commitments to lower emissions to net zero are now accelerating at a rapid pace.

Achieving net-zero emissions will require a massive amount of capital. It's estimated that over \$150 trillion will need to be invested through 2050 to drive the decarbonization of energy systems. That's approximately \$5 trillion every year. And Brookfield is rising to meet this capital need and importantly, this exciting investment opportunity with the raising of approximately \$15 billion for Brookfield's first flagship global transition fund, which is now in the final stages of closing. Brookfield Renewable will be the largest investor in that fund. Meaning, we will benefit from having scale capital to invest alongside of which, in increasingly volatile capital markets, becomes ever more valuable.

We believe the success of the fund raise demonstrates that in order to be a successful investor in decarbonization, it is essential to have both deep-operating expertise, particularly in power markets and renewable energy, both of which we have a proven track record in. The reason this expertise is so important is because about 3/4 of global carbon emissions can be traced back directly or indirectly to power generation and the energy sector. Every business uses energy. Therefore, if you can help decarbonize the production of energy and electricity, you can also enable the decarbonization of every industry in the world. And if renewables are the first step to decarbonization, we think our platform puts us in a leadership position.

We have a track record of evolving our strategy to add new clean energy generation types and other energy transition solutions when we see opportunities to invest in scale at the appropriate risk-adjusted returns. We are driving decarbonization across a growing opportunity set, and we are currently seeing more opportunities to deploy capital at our target returns. Today, I want to highlight just a couple of these themes. The first, of course, is building and acquiring clean energy at scale.

This quarter, we made significant progress towards advancing our commercial contracting initiatives and are close to finalizing agreements with numerous multinationals to decarbonize their businesses. In Asia, throughout development and build-out of over 3,000 megawatts of wind, solar and storage capacity that will be backed by long-term fixed price contracts. We also announced our plans to submit joint bids with SSE to build 2 750-megawatt offshore wind projects in the upcoming Dutch tender process. The second large growth opportunity is to use our knowledge of clean energy and our operating capabilities to provide energy transition and decarbonization solutions to businesses around the world, that need help reaching their own decarbonization goals.

Many industries will require both clean energy to lower their carbon footprint and capital to decarbonize their way of doing business. The power sector is a great example. Utilities require significant capital to enable them to shift from thermal to renewable and we are well positioned to help.

Finally, we are seeing opportunities for investments in businesses that provide services to support the transition to net zero. This quarter, we entered into a new decarbonization asset class with an investment in a leading North American modular carbon capture solutions provider.

Given the trillions of dollars required to decarbonize hard-to-abate industrial sectors over the coming decades, we see significant potential to grow our carbon capture footprint over time. And we believe we're well positioned to do so given our strong expertise in decarbonization and our experience working as an operating partner and capital provider to our global network of like-minded customers. Our investment will provide an attractive entry point into carbon capture solutions with a strong partner, a proven and cost-effective product in a sizable pipeline.

We have committed funding of up to CAD 300 million for projects meeting pre-agreed return thresholds and have already begun funding the build-out of our first project. The structure of the investment provides us with strong downside protection and the securities are convertible into common equity of the company at our option at any time. If 100% of our commitment is invested, which we expect given the escalating carbon price in the proposed investment tax credit for carbon capture in Canada, then upon conversion, we will own a majority of the common equity of the business. Looking forward, with decarbonization and energy security firmly established as a priority of global leaders, we are focused on the continued build-out of renewables and the increasing demand for other decarbonization solutions, including carbon capture and storage, green hydrogen and other energy service solutions.

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

Wyatt Hartley Brookfield Renewable Partners L.P. - CFO & Managing Partner of Renewable Power and Transition

Thank you, Natalie. We generated FFO of \$243 million, or \$0.38 per unit, during the quarter as our operations benefited from strong asset availability, higher power prices and recent acquisitions. On a normalized basis, our per-unit results were up 18% year-over-year. Our cash flows are highly resilient given our diversified portfolio, limited concentration risk with counter-parties and a long-term contract profile. And while generation for the quarter was in line with long-term average stronger generation in our lower value markets and weaker performance in our higher-value markets translated to lower-than-expected FFO. This dynamic is already normalizing. And while we expect this variability from time to time, we also expect to benefit from offsetting positive periods in the future.

Further, we are continuously diversifying the business which increasingly mitigates exposure to any single resource, market or counter-party and our variability becomes less and less every year. Next, looking at our balance sheet and liquidity. Our financial position remains strong with almost \$4 billion of total available liquidity, providing significant flexibility to fund growth.

We have continued to accelerate our financing activities, extending the term of our debt and locking in attractive interest rates. As a result, our balance sheet is in great shape, with an average debt duration across our portfolio of 13 years, no material near-term maturities and minimal exposure to floating rate debt. We also continue to sell assets to drive value and fund growth. During the quarter, we signed an agreement to sell a small hydro portfolio in Brazil, returning 3x our capital over our 10-year hold period, and met all conditions to close the sale of a number of assets developed by our global solar developer in Mexico. This will generate approximately \$240 million which more than doubles our invested capital over our 2-year hold period.

Finally, I want to spend a few minutes on our hydros and the expected benefits we see from power prices. Hydro power continues to enhance its status as the premier renewable technology due to its perpetual nature, grid-stabilizing capabilities and dispatchability. Growing demand for carbon-free baseload generation in an increasingly constructive pricing environment as more intermittent renewables are added to the grid is supporting our ability to contract these assets on a long-term basis at attractive all-in prices with built-in inflation escalation.

Further, the grid stabilizing the services and storage qualities embedded in large hydros are increasingly valuable in today's market. And while our results this quarter benefited from higher all-in market prices, the impact was limited given we were largely contracted going into the year. However, throughout this year, we will have increasing amounts of hydro capacity across our fleet which will come available to benefit from these dynamics. Further, over the next 5 years, the ability to recontract almost 5,500 gigawatt hours of generation in North America should meaningfully add to our bottom line. Resetting this generation to forward market prices today would contribute approximately \$120 million of incremental FFO while creating incremental financing capacity, which will likely represent a highly accretive funding source for our growth. On behalf of the Board and management, we thank all our unitholders and shareholders for the ongoing support. That concludes our formal remarks for today's call. Thank you for joining us this morning. And with that, I'll pass it back to our operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Nelson Ng with RBC Capital Markets.

Nelson Ng RBC Capital Markets, Research Division - Analyst

I just had a few questions on your development pipeline. So thanks for providing all the extra granularity on the development pipeline and kind of outlining the commissioning schedule for the next few years. One thing I noticed is that there's like very little hydro and onshore wind being developed in 2023 and 2024. I guess, big picture, is that trend -- is the trend of solar just getting -- becoming a larger part of your pipeline, like will that continue?

Connor David Teskey Brookfield Renewable Partners L.P. - CEO & Managing Partner

Thanks, Nelson. Great question. We'll perhaps answer that in 2 different ways. The first regarding hydro, there is less hydro development going on around the world relative to wind and solar. That is a noticeable trend and one that we expect to continue going forward. While that does mean we're going to have less hydro development in our pipeline. Also one of the reasons why we're so confident in the

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increasing value of our existing hydros, which are every day, increasingly scarce assets in their ability to provide dispatchable baseload clean energy to grid.

When you then look at wind and solar, we see tremendous growth for both, probably a little bit more growth for solar in our pipeline today than wind, but we remain agnostic between the 2 technologies. And the current bias towards solar is simply where we've seen better value entry points to build-out our own pipeline. We could see a trend back to wind in the future. We remain diversified and happy to pursue either technology.

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

Okay. And then just on that pipeline, I think there's roughly 9 gigawatts that you're expecting to commission through 2024. You did mention that you're managing through the inflation costs and supply chain issues. So on that 9 gigawatts, is that -- like are you like very comfortable with that number with potential upside? Or have you baked in -- like does that include some contingencies due to any supply issues? Because I know in the U.S., there's obviously some uncertainty on U.S. solar panel imports. And then I think people are still waiting for the Biden administration to put through some renewable tax credits in terms of PTC. So what's your view on the 9 gigawatts?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Certainly. So I'll take your words very confident with upside. Maybe 2 points on that. First of all, the 9 gigawatts that we disclose in our pipeline that's what already exists today and is either under construction or under contract to be built out. Our business is continuing to grow. So as we execute our business plan, continue to do in-house development to continue to acquire new assets, we would expect those numbers to go up over time. The other point we would make just around your comments in the U.S. is we have a very diversified platform, both our ability to pursue operating assets versus development assets, our ability to pursue different technologies at different geographies. So while there are some minimal disruptions in certain markets around the world, we see a clear path to managing through that and don't expect it to change our growth profile whatsoever.

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

Okay. Great. And then just one last question. In terms of the 235-megawatt wind acquisition in Asia, can you give a bit more color on that acquisition? Is it in India or another location? And then also, can you give a bit of background on timing on the rest of that 700-megawatt portfolio in Asia?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Yes. Certainly, and that wind acquisition is in China, but I'll make a comment about what we are seeing in both Asia and China, which is the ability to continue to do repeat business with the same counterparties, we have done transactions with in the past. If you look over the last several quarters, we've been pretty consistent and pretty regular in doing small, low-risk, very attractive deals in both the India and Chinese markets.

And increasingly, what those are doing repeat business with the same counter-party. What I would say is we look forward, we're developing increasingly strong relationships with those partners. And as their pipelines grow, they're increasingly coming to us as a buyer of those assets. Because we execute quickly, we execute on time, we provide certainty of closing. And we would expect to do more repeat business with those high-quality counter-parties in terms of the time line of the next 700 megawatts, definitely within the next 2 years.

Operator

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

Sean Steuart *TD Securities Equity Research - Research Analyst*

Wyatt, at the end of your comments, you touched on potential FFO upside from recontracting. And I guess I have a few specific questions on what the length of these corporate PPA contracts looks like, I suppose, specifically for hydro. Can you comment a little bit on how that's evolving as the pricing environment is increasingly in your favor?

Wyatt Hartley Brookfield Renewable Partners L.P. - CFO & Managing Partner of Renewable Power and Transition

Yes. Look, Sean, so what we say is what we've always viewed with our hydros and the merchant exposure we have in North America specifically is that we've always focused on securing contracts even to manage that merchant position, and that's done either through short duration contracts or through financial hedges, but they're really protecting us from spot price movements. But we hadn't contracted on a longer-term duration because we just weren't seeing an appropriate value to give away that long-term option on our hydro. And so what we are seeing now in this environment, the environment that both Connor and I described around the challenges that are occurring with the grid given the intermittency of renewables and the baseload dispatchable nature of hydros, is that we're seeing interest for our hydros on a longer-term basis.

Now you would have remembered in the last quarter, we did a 40-year contract with Hydro-Quebec on one of our hydros. That's not to say that all contracts will be 40 years. But definitely with the increased interest. But we would expect that over time that we are contracting that hydro position on a longer-term duration. It could be 10 years, 15, whatever, but definitely on a longer-term duration. And again, what that does is not only locks in a price that is very attractive for us, but it just enhances the finance-ability of our hydro assets with that contract. And it generates very attractive proceeds at very low cost that we can then use to fund our growth. So again, as a reminder, off that contract we signed last quarter, we raised an additional CAD \$1 billion while maintaining a BBB positive rating to execute that financing. So that's the dynamic we're seeing where it's definitely an interest for longer duration contracts, and it has the associated financing benefit.

Connor David Teskey Brookfield Renewable Partners L.P. - CEO & Managing Partner

And Sean, it's Connor. I might jump in just to supplement what Wyatt said there. And maybe it's helpful for us to provide a little bit more granularity on those short-term contracts and why we see the upside. Even when we have merchant exposure and really the primary place we have merchant exposure within our portfolio is our U.S. hydros. Even when we have that merchant exposure, we typically lock in these short-term contracts of either 6, 9 or 12 months, largely just to help with the settlement of the sales of those electricity volumes.

So when power prices began to increase dramatically in, call it, the mid- to latter half of 2021, we had already locked in most of the pricing for our hydros for the first quarter of 2022. But as we move throughout 2022, we are now going to get the benefit of those increased power prices in a fashion that's increasingly going to hit our financials throughout the year in a back-end loaded way. And that's why we -- one of the reasons we see strong tailwinds for our business throughout this year.

Sean Steuart TD Securities Equity Research - Research Analyst

That's useful context. A follow-up question for Connor or Natalie, you gave great detail on the Advantage Entropy deal as a first step into carbon capture. Can you speak to the long-term investment potential for that technology versus other energy transition options like Green Hydrogen that you're pursuing as well? How do you benchmark the opportunity set for carbon capture versus some of the other options that might be available?

Connor David Teskey Brookfield Renewable Partners L.P. - CEO & Managing Partner

Certainly. So Steuart, perhaps -- or Sean, sorry, I'll go first and then Natalie, if there's anything you'd like to add, please jump in. From a Brookfield Renewable standpoint, we're looking at all of them. Green hydrogen, I would say, energy services companies that facilitate decarbonization and carbon capture. Carbon capture, we think is, one, economic; and two, rapidly growing in many of our core markets, particularly in Canada and the United States. So it's absolutely an asset class that while we made our first step into it this past quarter, we do expect to grow and grow very rapidly and be a significant player in that market going forward.

While there is tons of room to run in Canada, we do also expect to expand our platform in the United States as well. In terms of do we like carbon capture better or worse than some of the other decarbonization technologies? I would say that we're going to approach those the exact same way we approach wind, solar, hydro. We're going to be agnostic across them. We're going to look across regions, across asset classes to where we see the best risk-adjusted returns and allocate our capital to those. There is no concerted effort to over-concentrate in one technology versus another.

Natalie Johanna Adomait *Brookfield Renewable Partners L.P. - Managing Partner of Renewable Power & Transition*

Yes, Connor. And maybe just the benefit of the global platform that we have means that we can actually focus on, let's say, if we're seeing more carbon capture opportunities in the U.S. first because they have established well-known storage reservoirs, we have the ability to kind of move by geography where we're seeing those risk-adjusted returns. But yes, I agree, absolutely pursuing both.

Operator

And 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*

Just a quick follow-up on the carbon capture. Can you give more color on maybe what Brookfield brings to the table to this market. What would give you a competitive advantage like you might see in investing in renewables?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Certainly. And we go back to fundamentals. What needs to be done on the carbon capture side is very similar to what needs to be done on the renewable side: one, capital needs to be provided; two, you need development, construction and operating capabilities; and three, perhaps the one that's most important that we bring to the equation here is the ability to work with corporate counter-parties to structure long-term contracts around these carbon offtakes that are both financeable and economic.

The reason why we are so drawn to an asset class like carbon capture is not only is it a great proven decarbonization technology, but the investment profile is very similar. You build an asset. And once constructed, it is a long-term, highly visible, highly stable, stream of cash flow is very similar to our wind and solar plants around the world.

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

Great. And do you see this as a potential customer for green power as well as you look at uptake contracts for carbon capture facilities?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Absolutely. One of the things that we are trying to do across our portfolio is enhance our relationship with customers. And this goes exactly to what Natalie said in her remarks. The first step in almost every corporate decarbonization plan is, let's address our Scope 2 emissions. Let's procure Green Power, one, reduces our electricity cost, but two, reduces the emissions within our business from the consumption of electricity. But from there, we want to be able to offer other forms of decarbonization solutions.

That could be energy efficiency solutions or for businesses that are hard to abate and those assets are going to produce emissions, we can now often carbon capture as well to help those businesses reach their own decarbonization goals. And while we've always had green power, and we've increasingly added other decarbonization solutions this last quarter, CCS, we do expect to add other different technologies and solutions going forward as well.

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

And for your second question here I may get a very similar answer, but you're talking about the Dutch offshore wind tender. You highlighted it's going to be a subsidy-free call. You may not want to give some competitive information here, but what would be your strategy for bidding there? What can make your bid successful?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Certainly. First of all, maybe it's helpful just to highlight a dynamic that we're seeing in offshore that we're really excited about. For many years, the largest offshore markets around the world have grown very rapidly due to their use of feed-in tariffs. You bid in an auction based on a feed-in tariff price and the person who's essentially willing to bid the lowest return wins that auction. And that hasn't really served us well at Brookfield Renewable because we don't like to compete on cost of capital.

One thing that we are really excited about is we're seeing more and more of the largest offshore wind markets around the world, pursue subsidy 3 auctions. This is great because we feel, one, it plays to our strengths, where our corporate contracting and our operating and construction capabilities become a key differentiating factor; but two, we think it helps support the whole industry because the winners in

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those auctions are going to be the premier global operators, not necessarily low cost of capital financial bidders.

So when it comes to the specific auction in the Netherlands, we're thrilled to be partnered with SSE a best-in-class global offshore wind builder and operator. We think it's -- we bring very complementary skill sets. We're both leading operators of renewables, both operating and development and construction. They have one of the largest offshore wind pipelines. They bring great knowledge about marine biodiversity, how to construct without disrupting the environment, we bring best-in-class corporate contracting. We think those things together make us a very powerful partnership.

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

So if the selection isn't going to be done on price, what can you offer that takes your bid to the top?

Natalie Johanna Adomait *Brookfield Renewable Partners L.P. - Managing Partner of Renewable Power & Transition*

We've been -- it's Natalie here, Rupert. We've been working very closely with SSE and expect to be able to reveal a little bit more of this post bid submission when those have gone in, but it goes back to what Connor said. We've got the commercial contracts, which are going to be partnering with a lot of locals in particular. And really working to focus on the innovation that we can bring based on the track record that both Brookfield Renewable and SSE brings to the table on the ecological and the technical system integration front.

Operator

And our next question comes from the line of Mark Jarvi with CIBC Capital Markets.

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

Just coming back to the hydro recontracting. Obviously, you talked about upper movement in power prices. But how do you balance that off against also maybe more volatility, which could allow to capture higher realized pricing? So can you structure the contracts to leave yourself some of that upside? Or how do you make that trade-off in terms of locking in higher price but maybe sacrificing some of that peak pricing that might be out there?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

That's exactly the decision we go through. We can leave our assets merchant and play for the upside or we can lock in long-term prices that through long-term contracts that become immediately financeable and allow us to raise significant amounts of capital. And we make those decisions on an asset-by-asset basis on a daily and weekly decision. And really, what we try and do is not go too far in either direction. We always layer into our hedges and layer into our contracting such that we don't miss too much to the downside and don't miss too much to the upside. We aren't trying to price for perfection. We are looking to do something that provides a very attractive return for our business over the long term without being either too far one way or the other.

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

Okay. And obviously, we've seen volume yields move higher. Just in terms of the asset sales and the marketing transactions you're seeing out there, whether it's higher bar rates on the risk-free rate or back leverage. Have you seen anything change in terms of dynamics of asset transactions in the last couple of months?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

No. And perhaps two comments we would make -- we would say public markets are quite volatile right now. Share prices in the renewables sector are moving up and down. What we have seen in private markets is a very consistent, continued strong bid for renewables and decarbonization assets. The volatility in the public markets certainly hasn't flowed through to the private markets yet. And that's helpful for us, both in the terms of asset monetizations, but it also helps that there is a stable pipeline of growth opportunities that we can review as well.

The other comment that we think it's probably important to make when it comes to interest rates is, well, underlying interest rates have moved up significantly over the last 6 months, we have not seen any lack of depth in the financing market. Yes, underlying rates have moved up, so interest rates on mass are slightly higher, but the depth of the financing market hasn't been reduced at all for renewable power and decarbonization assets.

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

Would you say that credit spreads have come in a little bit that allows you to not pass through all sort of that movement in base rates?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Yes. No, Mark, I'd say it's a bit of the opposite where because of just uncertainty around rates, especially if you go out the curve, the spreads have widened out a bit. But again, it's all limited, so there's still a meaningful depth there. And even with the incremental increase in base rates and the widening of the spreads, we still are at a level where it's historically low. It's just we're coming off a period where it was very historically low. So it's still a very attractive market, irrespective of kind of a bit of a widening of the spreads and increasing underlying base rates.

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

Okay. Last question, there's been lots of commentary from some other companies and market interest things about the pass-through of higher cost into higher PPA prices, particularly in the U.S. market. How would you say other regions that you guys are operating, you're seeing those pass-through in terms of PPA price increases? Are they on par of what we've seen and heard on the U.S. market? Or are there other regions where you're seeing bigger increases on offtake prices?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

It's a great question. It certainly is a global trend and not to be redundant, but we'll make the same comment as before. The price increases that we are seeing are very modest relative to the benefits of decarbonization, energy security and having stable power prices in an environment where global energy prices are very, very volatile. Directionally, we're seeing slightly higher PPAs in all markets.

But what I would say is markets are relatively efficient. They are taking into account the dynamics of that market. So in a market such as the U.S. where perhaps solar panel supply chain disruptions and the recent investigations are creating some uncertainty, you might see a slightly higher increase in the PPA price versus a market that doesn't have those specific regional dynamics. Directionally, it's happening everywhere, but there is some slight variation depending on the dynamics in a given region.

Operator

Our next question comes from the line of Mark Strouse with JPMorgan.

Mark Wesley Strouse *JPMorgan Chase & Co, Research Division - Alternative Energy and Applied & Emerging Technologies Analyst*

Most of them have been answered. I did want to come back to the solar anti-cert case in the U.S. I'm making the impression that you think that you're in there. First of all, is that right? And then second of all, is that because the project -- the new projects that you're working on, you already have panels in country? Or is that just based on the types of suppliers that you're using?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Let me try and answer that. The phone cut out a little bit there, Mark. But I believe the question was about our situation in managing the current investigation and the impact on the U.S. And I would say it's really driven by 3 things. The first is the point you made that we typically, at the time we lock into a revenue contract and therefore, create a delivery obligation. At the same time, we lock in procurement of panels. So when we look at our development pipeline in the U.S., we have already secured on land, the vast majority of panels to support that build-out over the next few years. The second point I would make is our global procurement capability. And I recognize we comment on this probably every quarter.

But in this environment, that capability is becoming increasingly valuable. Not only do we have great relationships with the largest suppliers, we also have relationships with a huge number of suppliers. And therefore, in situations like this where the market is throwing, call it curve balls, that makes on suppliers more advantageous or less advantageous, we are able to reallocate our procurement to get panels and meet our customers' needs. And then the last thing I wouldn't underestimate is the relationship we have with our customers. We are often one of the largest providers of clean energy to our corporate offtakes. These are long-standing relationships. And our customers are very understanding of what's happening in the market.

And we can have a conversation with those counter-parties and work together to get them, one, the green power that they contracted at

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the price they wanted; and two, they're not trying to put us in a tough position either because we're going to do business together for a long time. And that might mean we bring 1 project forward and another project back, that might mean we take some puts and takes in different positions within our portfolio. But I would say that our ability to work with our customers that we have very long-term relationships with, that's helping a lot in this environment as well.

Operator

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

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

Maybe just coming back to the carbon capture opportunity. I'm just curious if the pace or scale of investments there, is it all dependent on certainty on policy or carbon pricing in Canada via the contract for different structure they've discussed or something like that?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Thanks, David. Part of the reason why we see an opportunity for carbon capture in Canada and similarly in the U.S. is there are fairly defined benefit regimes. Obviously, there is a legislated and increasing carbon price in Canada. That really provides the economic certainty to the investment we made and a nice upside to the Entropy deal is we signed that just days or weeks before Canada announced an investment tax credit for carbon capture. And that is something we thought might happen, but we hadn't baked in our underwriting. So it's nice that, that investment is off to a great start.

And because of that upside, we do think we will likely deploy the remainder of our convert on an accelerated basis and see more economic projects that we can fund through entropy in the future. In the U.S. you've got a different form of support through 45Q tax credits and other support regimes, and that's what gives us confidence in that market as well. What I would say is when we're making these investments, we are looking at the current support regimes that are long term in nature. But we certainly aren't making prospective bets that are predicated on uncertain -- or uncertain or expected changes to legislation in the future. We invest based on what is certain today and if there's upside from there, that's great.

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

That's great color. And then maybe just one more for me. Just given the -- your leadership position with corporate buyers of renewable power. I'm just curious if you can comment on how maybe those contract terms might differ now from, say, a year ago? I mean, you said that PPA prices have certainly gone higher. I'm curious if there's any other maybe more beneficial contract terms that you're able to negotiate in the current environment.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

I would maybe highlight 3 things that we're seeing. One, obviously, PPA prices are a little bit higher because costs are a bit higher and electricity prices are a bit higher. Two, a trend that is not dissimilar to previous quarters. There are simply more of them. The spectrum and scale of corporate procurers of green energy continues to expand on a quarter-by-quarter basis. And three, there continues to be an improvement in an evolution in the knowledge, both on the provider and the procure side of green power that allows for unique contracts that meet both counter-parties' needs. Increasingly, we're not just seeing payers produce vanilla PPAs, we're seeing the opportunities to provide more value-add services like 24/7 green power, matching wind and solar with baseload hydro or storage.

Those are premium products that more and more customers are looking for. But on the same side, customers that have very significant green power requirements in the near term are also adjusting their approach as well. Sometimes putting things like adjustment factors based on panel prices in those PPAs. So the market is very efficient and increasingly constructive to meet the objectives of both producers and procurers of green power.

Operator

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

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

I think the question is for Connor. And if you could just give us maybe a high-level overview on how you think about BEP's role with BAM's Infrastructure Fund and now the energy transition fund? And what that means for your business mix over a longer period of time?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Great question. And it's very simple. For years, our primary vehicle for deployment was deploying renewables through the renewable component of Brookfield's Global Infrastructure Fund. And today, we also have the new Brookfield Global transition fund. The answer, Andrew, is we will deploy through both. We will continue to be the key Brookfield LP to the renewable component of the Brookfield Infrastructure Fund, deploying capital in the same way and the same asset classes into the same risk profile as that fund has done for decades. That remains completely unchanged. And then now, in addition, we also have BGTF, the Brookfield Global Transition Fund that focuses on the development and build-out of renewable and clean energy generation and the investment in decarbonization asset classes, services and solutions. So the key is we're still investing in BIF, the way we have in the past for the last decade. And now incrementally, we are also investing through BGTF. And our combined commitments to those funds are perfectly in line with BEP's target deployment.

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

Okay. That's helpful. And then maybe not to get too far ahead of ourselves, but we've seen the other areas of the group that have had perpetual product, longer-term product, super core, core plus kind of product. Do you see an opportunity to take some of the pipeline because you've got, I think it's the 69,000 megawatts of pipeline potential right now and maybe accelerating the development of that and having that cater to a longer duration, more yield-oriented product that maybe isn't appropriate -- completely appropriate for BEP, but it presents an opportunity set as a developer of those assets?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

So I would comment not on that specific to BAM, but just more generally. We think that our almost 70 gigawatt development pipeline gives us lots of optionality. And we're going to increasingly do different things with that pipeline to monetize it for the highest and best value. That might be building out assets and holding them ourselves, that might be building out assets and selling down a minority to another investor. That might be a build-and-flip model. That might also be selling some assets at ready to build once we've derisked them from a development perspective. I would say, given the rapid growth of our pipeline and our increased development capabilities across asset classes and across regions, we're going to pursue all those things but it's probably going to be different. But always with the objective of monetizing those 70,000 megawatts in whichever way gets us the greatest value.

Operator

And our next question comes from the line of Naji Baydoun with IA Capital Markets.

Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Senior Equity Research Analyst*

Just wanted to go back to the SSE partnership. I think you noted that the tenders of a focus on innovation. So I understand more details about what that means will come out in due time. But just wondering if you can talk about the partnership with SSE? Is it limited just to the upcoming tenders in the Netherlands? Or do you think you can expand it to other markets and other projects?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Certainly. So we have a tremendous respect for SSE, and I would say we're thrilled with how the collaboration on this partnership has gone. We increasingly throughout our business, work with partners on large-scale projects. And if there are other opportunities to work with SSE, we would be thrilled to do so. Right now, our focus is on the Dutch auction. We'll get our bid in, in May and see how the results play out later this year, but they're a best-in-class organization. And if there are opportunities to work with them more in the future, we'd be thrilled to do that.

Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Senior Equity Research Analyst*

Okay. And I just had a question about your organic growth here. It seems to be really accelerating. You're already halfway through your full year deployment urges last year and if we look at the commissioning schedule, it seems like you might be able to even achieve 3 gigawatts a year going forward of new capacity additions. I guess when you think about that and then you're double by 2030 target that you announced today, even when you factor in some asset sales, it seems like you can achieve that target just with organic growth alone. So I guess a long-winded way of asking, is that really the plan? And then where does M&A fit into the picture?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Certainly. So when we look at our plan to double the size of our business in the next 10 years, there's absolutely upside to that. And maybe one comment I would make just as a parallel to your question. For the last several quarters, maybe even the last couple of years, we've been very focused on development because that's where we've seen the best risk-adjusted returns. In the current environment, which is the first volatile market we've had in a little while here, we should remind everyone that we absolutely have the flexibility to buy operating assets as well. And the current environment may create an opportunity for us to do that, and we'll simply continue to allocate our capital to where we see the best risk-adjusted returns. We're never going to do entirely operating or entirely development, but we could see our proportion between the 2 change over time. But I think maybe in summary, yes, there is absolutely upside to that number of doubling the size of our portfolio.

Operator

Our next question comes from the line of William Grippin with UBS.

William Spencer Grippin *UBS Investment Bank, Research Division - Director & Equity Research Associate of Utilities*

Just going back to Mark's question from earlier on ADCBD. You recently significantly expanded your solar development pipeline in the U.S. with the Urban Grid acquisition. I'm just curious, I understand that maybe the contracts that you've been working on over time have -- you've hedged out the component-sourcing risk. But just curious, specifically on the acquired Urban Grid projects? Are there -- what are you seeing there? Any challenges specifically within that portfolio related to ADCBD?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Great question. This is an important dynamic to maybe dive a little bit deeper into. When we bought Urban Grid, which we acquired in February, one of the unique things about Urban Grid and why we felt we were able to buy it for such incredible value is Urban Grid was very good at the early stage components of development, procuring land, permits and grid connection. What we brought to that transaction is power marketing, corporate contracting, construction and financing capabilities. The key about that business is, while it had ready to build assets, the vast majority of them weren't contracted. We were going to contract them once we became owners.

To drill down into your question is the time line of that build-out may be slightly delayed due to a slightly slower pace of procuring panels? Perhaps potentially, but that is greatly, greatly, greatly outweighed by the fact that we underwrote that business assuming PPA prices from Q3 and Q4 last year. And we're seeing PPA prices for the projects that we do have panels for now being secured anywhere between 30%, 40%, 50% higher than underwriting. So while some of those projects that weren't contracted, we might delay a little bit until there's easier access to panels, but that's being far outweighed by the increased PPA price we're seeing on the ready-to-build projects that do have panels because those are very scarce assets in the U.S. market today.

William Spencer Grippin *UBS Investment Bank, Research Division - Director & Equity Research Associate of Utilities*

Yes. It makes sense. And I guess just dovetailing off of that a bit, the -- does this industry disruption that we're seeing maybe create an opportunity for Brookfield to step in and potentially acquire additional pipelines at attractive valuations?

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

It may. And we are very fortunate with our global procurement, our relationships with customers, our size, our scale, our balance sheet. There may be some other market participants that have been caught off side by some of these disruptions. And if that creates an opportunity for us to invest or partner with those counter-parties, we absolutely would consider it.

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Operator

And I'm showing no further questions. So with that, I'll turn the call back over to CEO, Connor Teskey, for any closing remarks.

Connor David Teskey *Brookfield Renewable Partners L.P. - CEO & Managing Partner*

Great. Well, we'd like to thank everyone for joining us on today's call and their continued support of Brookfield Renewable. We look forward to updating you at the end of next quarter with our Q2 results. Thank you, and have a good day.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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