



Brookfield Renewable Partners L.P.

2018 Investor Day Webcast

Transcript

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SACHIN SHAH:

I'm going to go through our renewable power business at Brookfield. I'll give you a quick overview of the business, what some of the trends from the macro perspective are in renewable power. Then I'm going to hand it over to our Global Chief Operating Officer, Ruth Kent, who's here today. Ruth will walk through how we create value through operational focus, which is an area that we talk about a lot but feedback we've received over a number of years is, could we provide more tangible examples of that? So, we're hoping to, today, provide you with an in-depth analysis of what we focus on when we make an acquisition and how we envision our expertise driving value through the various acquisitions we make. Wyatt Hartley, who's our Chief Financial Officer, will talk about our balance sheet, our liquidity and our funding position. Then I'll come back a little bit and talk about growth in the business and what we plan to be focused on over the next five years.

Very quickly, from an overview perspective, what we have today at Brookfield from a renewable power perspective is a global business with over \$40 billion of assets that we manage. We are a multi-technology business. We have bulk scale in hydro, wind, solar, storage and distributed generation. We cover off almost all of the main categories of renewables around the world, that have really only emerged in the last decade. We are globally diversified, and that transition has really occurred in the last five to seven years, where we've gone from largely an Americas business into one that's globally diversified in all of the major markets around the world.

For many of you, you would recall that this was one of the first businesses that we floated out of Brookfield back in 1999. If you were a shareholder then and you held the stock to today, you would have generated a 15% compounded annual return. So, we feel we have a strong track record and that we're continuing to focus on delivering within our 12% to 15% compounded return targets on a per share basis.

As you would all know, the power sector in particular – but I'd say over time other sectors will get entrenched into this, in particular transportation and other industrial businesses – are going through a significant restructuring where traditional thermal fuel sources, which were powering either our electricity or our transportation fleet, are all getting slowly replaced by electricity and really, carbon-free electricity. This transformation will take many, many decades and we feel that we're still in the very early stage of this.

So, what we've really set out to do is build a business that can leverage that global growth and be able to acquire great businesses and great assets all around the world at our target returns. This transformation, as you know, has been led by climate change, obviously, and the desire for communities and populations around the world, and really then governments, to put policies in place that will help decarbonize the planet. That can come in the form of subsidies, it's come in the form of government policy, local level targets and policies, and all of that's really providing a supportive backdrop to the investment environment.

More importantly, in the last 10 years, what we've seen in the developed markets in the United States and in Europe is a very low cost of capital and very low bond rates, especially in the long bond, has meant that investors who are searching for a little bit more yield than a 10-year treasury would give you, or effectively zero in Europe, have plowed into this asset class. In particular, in light of the government subsidies and support that stands behind this asset class, because they view it as a proxy to bond yields and a way to generate excess returns. That's driven returns very low in this sector and one of the things we want to articulate to you today is how we've positioned ourselves in that environment.

Just to put some of the growth in perspective, in the last five years, \$1.5 trillion has been invested in renewables around the world. Much of that has been led by wind and solar, but hydro's played a really important part in that as well. That \$1.5 trillion has led to over 1 million megawatts of new renewable power installed in grids around the world. To put that in perspective, a million megawatts of renewables around the world is equivalent to replacing the entire U.S. electrical grid simply with wind, solar and hydro. So, it's a staggering amount of investment that's gone on in this sector. It's been spread out throughout the world. And the \$1.5 trillion or the 1 million, doesn't factor in any need in the future to replace existing thermal generation and potentially, electrification of transportation.

As I said earlier, returns in our sector have been very low. Generally, if you look at Europe and North America, they've been the lowest in that sort of mid-single digit range. Asia, slightly higher. LATAM, slightly higher still, and what we've found is the development premium has also shrunk significantly. As a result, what we've seen is many organizations, in particular in our sector, are using financial structures or other types of financial engineering to drive the return they want to achieve over the long-term. We saw it with the YieldCo space. We see it with the drop-down developer model and what we're hoping to demonstrate to you today is that we actually take a very prudent capital structure, a

very conservative financing approach, but we drive value by being a smart buyer, by operating the assets well and making sure that we can drive margin through operations and then having that very sound secure financing structure in place.

As all of this was happening in the last five, seven, ten years, our focus was really on transforming this business which, many years ago, was really just an Americas business with a large hydro footprint. So, we set out to, obviously, leverage what we were good at, build our hydro business around the world and make sure we could leverage that scale and that expertise. We also wanted to invest in wind and solar in a bulk context. We had some nice discrete wind portfolios. We didn't really have any solar because of the low returns. But we wanted to make sure we had bulk capabilities in this area, and we wanted to make sure that those abilities and those capabilities were really global in nature. The reason is, when you run a very large organization and you have expertise in different asset classes, you can then drive operational scale through your businesses. So, for us, learning what we did on the hydro side and the operational leverage we could bring to our businesses, it was really important that we could replicate that in wind and solar, and over time, the bulk technologies that will make up renewables.

Lastly, obviously, and I guess one of the cornerstones of our organization, is financial discipline and capital discipline, making sure that we maintain an investment grade balance sheet and ensure that we are protecting our capital, your capital, for the long-term.

Through it all, our returns have not changed. We still target 12 to 15%. So, in past years, we spent a lot of time talking about being a contrarian investor, investing on a value basis. Today, we're going to spend a little bit more time on box number two here, and that's why I'm going to call upon Ruth Kent, who's our Global Chief Operating Officer, to walk through some case studies on transactions that we secured in the last few years and how they've not only transformed the business, but how we intend to surface value from them. Ruth?

RUTH KENT:

Thank you very much, Sachin. Good afternoon, everybody, it's a pleasure to be here with you today to talk you through how our strategy plays out in practice. As we were thinking about how to present that to you, we thought the most interesting way possibly, at this slot in the afternoon particularly, would be

to do so through some real-life examples. We've chosen three. They're significant to us. There are many others, of course, but these are significant to us as an organization.

So, number one, I'm going to take you through the Bord Gáis acquisition we made in 2014. This was significant because it was our first acquisition in Europe and would be a toehold for Europe. It's also significant to me as I joined the Brookfield organization through that acquisition in 2014, so I'm relatively new around here. The second one is Isagen, our hydro business in Colombia. We purchased this in 2016. It was really a very unique transaction from a hydro perspective, which made it very interesting for us. Last, but certainly not least, I'll talk about the TerraForm Companies, both TerraForm Power, which is our listed entity and TerraForm Global, a private entity, which gave us a significant position in solar.

So, firstly, to talk about Bord Gáis, this was the opportunity to buy an operating wind business in Ireland. It had over 300 megawatts of operating wind, a commensurate pipeline and also a team that had been building out wind and operating wind since the 1990s. So, quite an experienced bunch, if I do say so myself.

The context there was a well-publicized Eurozone financial crisis, Ireland was very much at the center of that and the Euro had devalued as a consequence also, which made it a good time for Brookfield to purchase. It was a complex privatization that the Irish government were forced into and so, they were trying to sell a number of assets, this one included. This business they were selling had multiple limbs. There was a renewable arm, of course, which was very interesting for Brookfield. They also had a retail business, electricity and gas, over a million customers, and also two gas businesses, a small pipes business in the north of Ireland, and also some gas generation.

The result of that was there weren't many buyers that were interested in buying the whole thing. I can tell you the government were interested in it being one transaction and so, Brookfield were very credible in their approach here. Not only did they demonstrate their operating track record across the globe, but as well, they came to the government with a consortium position. They had brought in two other U.K. companies with complementary interests and, on bid day, presented one bid to the government. And I can tell you that was very well received at the time.

As part of the management team in that business, the Brookfield business plan was very attractive to us. We were pretty excited about it. They wanted to advance the development pipeline sharply. This development pipeline in the broader context had been starved of cash. So, we were keen to action that one. They also wanted to invest in the area of power marketing in the business. That's not something we had done, and we were interested to see what that would mean.

Brookfield's business, more broadly Brookfield Renewable, has a lot of experience in this area. Here in North America, they trade 24/7 wholesale markets on the energy side across multiple jurisdictions. So, they brought a lot of expertise here and they thought there would be value to be had. Last, but not least, it was very clear from day one, this was about securing a foothold and growing in Europe.

So, on the development side, I am pleased to say, in terms of execution, we have since built out over 200 megawatts of wind farms from that original proprietary wind pipeline. We also, when we are developing in jurisdiction, and this happens in other jurisdictions also, naturally come across smaller acquisitions which we characterize as tuck-in acquisitions. And so, over the period we were developing here, we came across a few of these. Sometimes very good repeat developers just need to monetize at a point in time. Our teams, whether it was wind here or solar or hydro somewhere else, we can step into a development at any stage and bring it to the finishing line. We did that three times here and that's the 55 megawatts. We continue to prospect and build today in Europe. In fact, the slide that had the beautiful wind farm on it earlier, that's Slievecallan wind farm in Ireland, we commissioned that in the last month, 27 megawatts.

So, moving on to the area of power marketing, as I mentioned, the North American team here guided us as we entered to the Brookfield business to set up our own trading desk. We started to trade some of the merchant power in Ireland into the U.K. for premium pricing. We also, in parallel, started to take a look at our existing contract base and make some optimizations which gave us extra revenue to the bottom line. In and of itself, small stuff, but it all adds up. Also, on the corporate customer base, I guess most notably, we started to originate new contracts and the team in Ireland supply Facebook for renewable power to their data centers today as a result of this activity. We continue to invest in power marketing in all our jurisdictions and I would note that a lot of our competitors don't maintain this level of expertise in-house and, in fact, often outsource this area which they miss out on a lot of these opportunities.

So, we also started to grow in Europe during this period of time and we did, indeed, leverage the team in Ireland to look at many megawatts across Europe. We're very selective of course. So, today, we did close on a number and we are now standing at over 3,700 megawatts in Europe and following investments we've made in first hydro, Saeta, and other businesses, we also have expanded from wind. We have solar and storage in the stable now too. We also, indeed, have a development pipeline in Europe, not just in Ireland. We have some in U.K. and other jurisdictions also, and we're advancing that as well.

Moving on to Isagen, the picture here is of Sogamoso. It's the largest hydro plant in Colombia, which is part of the business that we bought there in 2016. So, the opportunity at the time was to buy a business that was very well run. Third largest operator in Colombia, had over 3,000 megawatts of operating fleet and a deep development pipeline.

The context wasn't too dissimilar. It was a privatization by the government. They needed funds to reinvest in their roads infrastructure. There was a devaluation of the currency, so a good time to buy. But also, I would say, when we are investing in Brookfield Renewable and when we're going to enter into a process on the M&A side, we're always asking ourselves, why are we here? How would we make a difference? There were two things here that made us feel somewhat confident in this space. The ticket size was \$5 billion, not everybody can write that cheque. Also, the government themselves in Colombia had mandated that to even partake, you would have to have hydro operating and developing experience. So, we were feeling good about these two factors. And, also, there was a lot of noise in the market at the time that you know, this being a government privatization would take a long time and probably be extended, you know, difficult process. That was correct. It was on again, off again, on again, off again. By the time we got to send in our bid, the third time the process was on, we were the last bidder standing.

So, the business plan here for execution, again, surrounded areas of power marketing and development. So, we were lined up and ready to go there. We knew what we wanted and, also, there was an interesting cost dynamic in the business. We could see that there was some cost to be taken out. But, what I would say, is that was not going to be a rationalization. It was a well-run business, but we could see organically that we could take some cost out over time.

In the power marketing area, as we acquired the business, all of the contracts on the book had one to two-year durations. Of course, our plan is perpetual. We can go out the curve, we like to do so. And we have guided and encouraged the team in Colombia to start extending the terms of the contract as they fall due or for renegotiation. As we stand here today, over 15% of the contracts are now five to ten-year terms. That's interesting in and of itself because we do seek value on the curve. However, the real value kicker is when we refinance those facilities, which is a somewhat staged link into the next point.

In terms of improving margins and reducing the cost outflow, we have refinanced a number of those facilities which has yielded savings on the cost line in interest terms. Also, coming back to the cost in the business, we often come across this, in different businesses we run around the globe, sometimes it becomes almost a cultural norm to be dependent on consultants for decisions you can make in-house, and that becomes part of your fabric. That was the case here and it's not unusual in government-run businesses. So, over time, we've encouraged and trusted the management team just to make their own decisions and, also, to have a look at contracts as they fall due. Do we really need them? That has been unobtrusive in its nature, but it has had the impact of reducing costs.

The other area that has improved margins enormously for us is with the help of our hydro teams in different jurisdictions around the world. We've moved the maintenance model here from one that was time based to one that's condition based. In real terms, if you were talking about a part in your car, don't swap it out until it needs to be swapped out, or where it showed signs that it will need to be swapped out. Just be more efficient in it.

Last, but not least here, in Colombia, the market is dominated by coal and hydro. There is an acknowledgement that they need to move to a more diverse power gen base and so, wind and solar represent an opportunity there. We have a very deep pipeline of development down there, 3,800 megawatts. But, as Sachin mentioned, we're very selective about what we develop and when we develop it. We're advancing in screening the pipeline. We've brought forth 300 megawatts there that we're going to advance.

Last, but certainly not least, the TerraForm Companies. In the middle of 2017, Sachin rang me up to start working on the business plan for these. Certainly, this was going to, I think, showcase the depth and breadth of our organization from both a BEP perspective and a BAM perspective. It was giving us

global reach in Asia and areas that we wanted to get into for a long time and, also, would bring us into the solar area. Behind all of the noise of the bankruptcy, fundamentally, there was 3,600 megawatts of good plant here and we were looking forward, on the ops side, to getting our hands on that.

The transaction context here is well documented. I'm sure you're all familiar with it, a very large-scale bankruptcy of SunEdison. A very complex stakeholder group and, ultimately, the decision-makers in the stakeholder group were going to be the independent board and, of course, the creditors. What they wanted was one transaction, a clean transaction and they wanted to keep TERP listed. In order to achieve that, they would need a very credible sponsor with deep financial ability and, also, somebody that could manage 3,600 megawatts of quite diverse fleet, a thousand of which that was in EM. So, it's a pretty tall order.

We, in Brookfield, spotted the opportunity here early on and, frankly, our M&A teams were coming up against SunEdison in different processes and we were always the loser. So, we started to watch them and to watch the YieldCo space generally and were wondering whether it was sustainable. So, we took a toehold that gave us a seat at the table and we were able to talk to the stakeholder group, understand their needs and, collectively, come up with a tailored solution as is outlined here. And, again, we could confidently do that because we knew we had the breadth of the Brookfield organization and everywhere I went around the world, as we started to roll into this business, there was a Brookfield office, a Brookfield face whether it was BEP or BAM. Of course, we also were very confident that we could provide that immediate stability that they needed.

Coming back to the business plan, we were working on this for a long time pre-close so, on day one, we really were ready to go. We wanted to stabilize the business first off, that was most important, and just get back to running those operations. We could see the opportunity to reduce costs. By contrast to the other businesses I've spoken about, this would be a rationalization on day one and we wanted to do it quickly. Last, but not least, the most exciting part, once we had the building blocks in place of course, we were ready for growth in new regions as well, which is great.

Very quickly, on close, we inserted our own leadership and started to move employees to our core centers. But, most importantly, we reached out to all the stakeholders involved to say, "look, there's a new sponsor here and it's business as usual".

On the cost side, on day one, it's not an exaggeration to call it a triage. We had multiple teams from different parts of our Brookfield organization ready to roll in here, whether it was IT or finance, we were replacing systems, we were reducing head count and taking ownership of some of the processes that had been outsourced. The corporate finance team in our Toronto office were working very closely with all of the finance teams and the leadership in both businesses to refinance both vehicles in parallel to all of this other work. And, of course, we've produced enormous savings in doing so. But, for me, as somebody who helps to run all of these businesses, there's a good foundation now. We reengineered these businesses and they are ready for growth, and that's the most exciting part.

The other thing I'll make reference to is TerraForm Power in North America are currently outsourcing their wind portfolio which, again, is producing efficiencies. As a business, we often insource. As we're outsourcing here in North America, we're actually insourcing in India for the same reasons. When we see quality, risk and price in the right kind of combination, then we'll take that opportunity.

So, where are we today here? Well, we're now ready to start growing and, indeed, we've started that with TerraForm Power securing a gigawatt of renewable power in western Europe through Saeta. We have growth teams now in India and China and we're advancing our recycling most recently, through the announcement of our disposal in the South African portfolio. There's more to go in all three of these businesses and, indeed, in the others as well.

As we look forward to the next five years, whilst we don't have a one-size-fits-all philosophy or strategy, we certainly are focused in key areas. So, you've heard about some of the cost initiatives, there are more. We're targeting ourselves to deliver over \$60 million of cost initiatives in the next five-year period. We're also very focused on commercial contracting. We're conscious that we have four terawatt hours coming up at North America and similar amounts in some of our other jurisdictions. So, we're very focused on that. And, last but not least, we have a deep development pipeline in our business, 8,000 megawatts. I'm not going to tell you that we'll build that all out. We're very selective and so, we're targeting to build about a thousand over the five years. And we do that at accretive returns of course.

So, that's it for me. I hope that my brief few minutes here have given you a good sense of how we, as a collective, deliver in Brookfield Renewable. I'll hand you over to Wyatt now who's going to talk you through the numbers.

WYATT HARTLEY:

Thanks, and good afternoon, everyone. As Sachin mentioned, my name is Wyatt Hartley and I'm the Chief Financial Officer of the Renewable Group here at Brookfield and I'm going to start my presentation today with a polling question. So, the question is, what is the primary measure you look at to assess the sustainability of distributions? Is it, A, visibility of growth, B, payout ratio, C, balance sheet strength or, D, quality of cash flows?

Okay, quality of cash flows is clearly the strongest. So, clearly, the winner here is quality of cash flows and, going back to the slides, for us, that was a bit of a trick question. The way we think about it, is they're all equally important in assessing the sustainability of a distribution and that's what I'm here to talk to you about today.

First, I'll spend some time talking about how we've used our investing and operating capabilities to embed our business with operating levers that drive cash flow growth, and how we think about that in setting our distribution over the long-term. Then, I'll spend some time looking at the strength of our balance sheet. Then I'll, finally, touch on why we believe we offer the lowest risk distribution in the sector.

So, you would have just heard from Ruth, who walked you through our operating priorities, how we approach our operations to drive value, some of the practical examples of how we do that and our operating priorities over the next five years. You also would have heard Sachin discuss how, when we look for investments, we look for opportunities that allow us to showcase our operating expertise and use that to drive cash flow growth from our operating levers on a go forward basis. What I intend to do today is to take a step back and look how that translates to our business on an overall basis, and how we think about that cash flow growth and the visibility we have over our cash flow growth in terms of how we set our distribution. So, I'll take you through the building blocks of our operating levers but, first, I'll note two things. One, on an overall basis, we expect to generate FFO per unit growth of 6% to 11%. Secondly, while I will take you through each of these levers in some detail shortly, this was a topic that we discussed at length last year. So, to the extent you want more detail, I would point you to the materials that are available on our website.

Our first lever is our embedded inflation escalation, which we expect to generate 1% to 2% FFO per unit growth. The easiest way to think about this is, in Brazil, in Colombia, we have 100% inflation

passthrough of our revenues and, in North America, it's a variety. We have some contracts that have inflation passthrough. We have some that are fixed price. On an overall basis, it's around 30%. These three jurisdictions together, with the benefit of the inflation indexation supplemented with the operating leverage we have in our business, will generate \$10-\$15 million of annual FFO growth per year.

The second lever is expected margin expansions, which we expect to drive 2% to 4% percent FFO per unit growth over the long-term. Over the period, that translates to \$125 million of FFO growth, and this is coming about 50% from cost-saving initiatives and 50% from revenue growth. On the cost-saving initiative side, you would have heard from Ruth talk about how we're using our operating expertise to drive significant savings in the acquisitions we've made of the TerraForm Companies as well as our Colombian business, but we're also achieving cost-savings in our base business. Our legacy North American business as an example, where given the growth we've had over the five years, we relooked at things, re-examined and we've been able to identify cost-savings by benefitting from technology, by benefitting from streamlining processes or from just benefitting from the operating scale we have.

On the revenue growth side, the easiest way to think about this is we have eight terawatt hours of generation that is coming off contract over the next five years. Some of those contracts are above market, some of them are below market. But, on a total basis, they're net under market and so, when it comes to re-contracting time, we expect that to generate FFO growth. Easy breakdown for that is about half of that eight terawatt hours, four terawatt hours, is in Colombia and Brazil where all those contracts are under market. So, we expect to achieve our majority of our growth on that front. In North America, we have some contracts that are above market, some contracts that are below market. But, on a net basis, we expect it to be a neutral to our revenue.

I would note that all the numbers I walked you through today are based on an assumption that we re-contract at current market prices. But, whenever we undertake contracting initiatives, we're always looking to earn premium prices to the market levels so that, to the extent we're successful in that, that would only mean incremental tailwinds to these numbers here.

Then, the final lever is our development pipeline. What we're focused on here is earning the right risk-adjusted return for doing development. Meaning, we would earn a development premium over what we would, otherwise, be able to buy operating assets at. We have an advanced development pipeline

of 1,300 megawatts. Over the last five to six years, we've done 800 megawatts of development. So, what we're targeting here is a thousand megawatts of development generating \$125 million of FFO.

We have a proven track record of delivering strong FFO per unit growth. As you can see from here, 7% growth since 2012, which gives us a high degree of confidence that we can achieve our 6% to 11% over the next five years. So, how does this translate to our distribution and how we think about it as sustainable over the long-term? We'd have two comments here. One, due to the nature of our business still having 80% of our cash flows from hydro, there's minimal annual investment required to maintain our cash flows over the long-term. Only 5% of our cash flows are return of capital so, that puts a lot less pressure on us to reinvest our capital to maintain an earning power over the long-term. Secondly, as you would have seen, through operating levers alone we can grow our FFO per unit at 6% to 11%. We target 5% to 9% percent distribution growth over the long-term. So, just the math of that, of growing at 6% to 11% but targeting 5% to 9%, will take what is already a sustainable distribution in our mind and optimize it over that period.

Looking at the numbers here, what we have is our current run rate of our business, the year-to-date numbers at June annualized plus the benefit of all the acquisitions we've done during that period. As you can see, that translates to an FFO payout ratio in the mid-80's. If we grow our cash flows at 8.5%, which is the midpoint of our 6% to 11%, and grow our distribution out 5%, you can see we're getting into the 70's from an FFO payout ratio perspective. Once we deduct sustaining capex and return of capital, we're in the low 90's, which leaves a lot of cash flow to reinvest in our business and grow.

Moving on to our balance sheet. Simply put, our balance sheet is in great shape. Core to this is our investment grade rating. We're triple BBB+ from S&P, which is the highest rating in the sector. For us, this means that throughout our capital structure, we finance our debt at investment grade or at investment grade metrics because this appropriately safeguards our business. It provides downside protection. It provides access to cash flow through the cycle. It doesn't burden our organization with undue cash drops and as importantly, it provides a good base upon which to grow. From a maturity perspective, we're in a good position with greater than 10 years average project debt maturity remaining and no material maturities over the next five years.

We also have significant access to liquidity with \$1.7 billion available at June 30. Our multiple funding levers provides access to a deep pool of capital. First, just on the capital markets front, we've already

raised \$3 billion since 2015, primarily in the corporate debt and preferred share of market. This includes our most recent inaugural corporate green bond, which we issued a couple weeks ago where we raised \$300 million of ten-year paper at very attractive rates. We're also starting to use capital recycling as a more important part of our funding strategy, raising over \$300 million of capital in the last 18 months.

For us, selling assets at single-digit returns and re-deploying that at 12% to 15% is a very creative way to grow the business. So, we're focused on finding those assets that are mature, de-risked, and are no longer generating the operating cash flow growth that are critical to our business, as I would have previously mentioned. The majority of our business still is generating significant cash flow growth, but we do have a number of de-risked assets, so you should expect us to use this as a more significant part of our funding strategy going forward.

Finally, as with any Brookfield vehicle, we have access to significant partnership capital, not only through the private funds but also with respect to renewables. We have access to the public markets through our investment in TerraForm Power.

The final stool to the sustainability of our distribution, and this was the one that was picked by the majority of you, is the high-quality nature of our cash flows. This comes from our highly diversified cash flows both by technology and by region. It also comes from the highly contracted nature of our cash flows being greater than 90% contracted with an average contract term of 15 years. It means conservatively financed and as well as not overly relying on subsidies. Finally, which we think is probably the biggest differentiator for us, it's largely from a perpetual asset base. We have the longest duration asset profile in the sector with greater than 75 years remaining in our asset life. The backbone of this is our hydro business which, I mentioned earlier, makes up 80% of our cash flows. As a result, 95% of our cash flows are return on capital which means we have significant less pressure to redeploy capital into our business to maintain an earning base over the long-term.

Secondly, we actively manage our exposures to financial risk. From an interest rate perspective, greater than 90% of our debt is financed on a fixed-rate basis. As I mentioned, we have no meaningful near-term maturities, meaning, we're well insulated from the impact of rising rates. As you can see here, a 100 base point increase would result in a less than 2% impact on our FFO. Equally, from an FX perspective, we're well protected. We fully hedge our developed market currencies which means

the correlation to strengthening U.S. dollar is less than 50%, meaning, a 10% increase in the U.S. dollar impacts our FFO by less than 5%.

Finally, we have a risk and reward profile that is aligned, meaning, we target the highest returns in the sector, but we use the most conservative financing structures. As we noted at length today, our mentality isn't that we extract our returns from leverage. We earn our returns from our operating and investing capabilities, and we overlay this with a conservative financing structure that's focused on being investment grade throughout and relies only on structures that are sustainable over the long-term. This means we use non-amortizing debt at the project or the corporate level, only to the extent they're backed by our perpetual hydro business. We don't use deferred financing structures like converts or tax equity that may benefit us in the near-term but have a significant deferred financing cost that we don't believe is beneficial for the long-term.

Maybe now, bringing it back, all together. At the outset, I mentioned that we believe we offer the lowest risk distribution in the sector. Really, this comes from the visibility we have over our cash flow growth at 6% to 11% using operational levers alone. It is a payout ratio that's in a good position now, but is only improving over the next five years. It comes from our strong investment-grade balance sheet. Finally, it comes from high quality cash flows, most important of which is the largely perpetual hydro base that we have. With that, I'll pass it on to Sachin.

SACHIN SHAH:

Thank you, Wyatt. I'm just going to try to bring all of this back together a little bit to, maybe, just connect some of the dots on the things that we were talking about and then look to the future. As a reminder, five years ago, or maybe at the early part of this decade, we were largely an Americas business. Quite small in Latin America with a small footprint in Brazil and, mostly, in the United States and Canada with a sizable hydro business. We had a really good sense of the benefits of scale and we had a very good sense that we could drive significant cash flow growth from our operating capabilities. But, we also recognized that if low rates persist for a very long period of time and if this asset class in this industry grows at the pace we think it will grow, then too much capital will plow into this market, which is still a great market, but it will drive returns down significantly. It will mean that we could only do one thing, and one thing well and we'll have to do it in a tremendously competitive environment. So, we wanted to make sure that we diversified the business, created a global franchise

and make sure that we could move our capital around the world. And, also, upscale the organization across multiple technologies.

If you fast forward to today, our business in South America, which was quite small at that point, in five years is now one of our largest at close to 5,000 megawatts. In Europe, if you add the development pipeline, we exceed 5,000 megawatts coming from zero back at that point. We've continued to grow in North America and I'd say, today, in Asia Pacific, we're at the same stage we were at five years ago in LATAM and we think that that's a really exciting market for us to grow into the future. What we hope to have is bulk scale in every single major market in the world, we think we're pretty close. Obviously, we have some work to do in Asia Pacific. What that will allow us to do, then again, is to move our capital freely around the world, not only based on geographic considerations, but technological considerations as well; have a strong operating capability; and to be able to do both M&A and development, depending on the risk/reward of each of those different types of investment opportunities.

To maybe reiterate a little bit about what Ruth talked about is we got from there in 2013 to here in 2018 through deploying over \$3.5 billion, roughly \$3.5 billion of renewable equity, BEP equity. Almost \$2 billion of that, so almost two-thirds of that really, is these three transactions. If you look at the underwriting returns which, at the time, we thought were quite good and in line with our targets, they've only been enhanced as a result of the operational levers that Ruth spent time on, our financial acumen, and the ability to drive cash flow growth. If you look at where our returns are on almost of \$2 billion of capital that we've deployed in BEP relative to an earlier slide I put up of where the market is, you could see a realistic path of why we're so confident in, not only the cash flow growth over the next five years, but the value appreciation in the business. We think that we've taken that \$2 billion of capital that we've put to work and almost doubled its value which is not reflected in the underlying stock today, and we feel that will represent not only strong cash flow visibility into the future but will also mean that you have capital appreciation in the share price, all driving to the total return that we target.

Again, that's why we feel confident that, if we continue to build out the global franchise, we'll be able to carry on this track record of delivering 12 to 15% returns to our unit holders.

So, with that behind us, now it's really about the future. This is one of our plants in the United States in the Tennessee Valley called Smoky Mountain. This is a large hydro but, what you'll notice, is it's a sunny day and there's a breeze in the back so we're making money on all three fronts.

Looking forward, I mentioned the \$1.5 trillion of investment. I mentioned the 1 million megawatts of installed capacity, and what's staggering about that is that, although that is significant scale, solar and wind still only account for less than 10% of global power supply, which means we have a really long way to go in this sector. That should be exciting for anybody who wants to invest in this asset class, and who's looking forward to many, many decades of growth because this does not reflect any growth in demand. It does not reflect the retirement of existing facilities or the electrification of transportation which will be a huge tailwind to demand from an energy generation perspective. This just simply represents replacing what's there today.

Maybe that then leads itself to a polling question which, in hindsight, seems like an easy answer. How much investment is estimated to be required to replace existing non-renewable capacity globally? So, I'll ask people to put the answer into their iPads.

As I said, it was pretty easy. I wouldn't be up here if it was less than \$1 trillion. We'll go back to the prior slide, but I think there's consensus. The reality is, I don't think we'll ever get to a place where the entire world is 100% renewables. But, as I said before, this is just factoring the current generation stack in the major markets around the world. This does not reflect electrification, this does not reflect asset retirement. But what you can see is that, through the continued policy initiatives, the landscape in front of us is enormous. The investment opportunity is enormous and having a global franchise across the multiple technologies will become critically important. Being able to surface value through operational capabilities will be the great advantage for our organization.

To remind people of how much capital we've deployed in the past, and why we think that we are setting ourselves up well, we've generally deployed anywhere between \$500 million and \$800 million per year out of this business, really, across the world and what you can see here is there was no pattern to it other than we were going where there was opportunity to earn those outsized returns. More importantly, we were also able to move around to different technologies where we felt that we could drive the most value combined with the best investment opportunity. As a result, we think it's

very realistic for us to continue to deploy \$700 million, \$800 million per year of BEP equity into growth in this business, and we've been doing it for a number of years.

Now, I want to just take a minute on this slide because many of you who follow the power space would see, in our peer group, most of our competitors, or most of our peers, would target megawatt growth. You know, "we're going to develop 1,000 megawatts a year", or "we're going to drop down 2,000 megawatts a year", and we've always stayed away from that as an organization because we felt that just chasing megawatts was really not a focus on profitability or total return. We focused on how much capital could we deploy, and do we have the franchise to be able to do that well?

We wanted to highlight here that, although we don't target megawatts, what we often feel is missing in our story is really our track record of capital deployment. So, we're not going to tell you that we're going to do 1,000 megawatts a year, or 2,000 megawatts and candidly we, on purpose, set up TerraForm to not really have it predicated on a dropdown strategy. What we are telling you here though is, in light of the growth around the world, and our franchise which we think is quite unique, and the capability to put money to work around the world and run our plants, we think \$700 million of BEP capital per year is a run-rate pace of capital deployment that we should be thinking about and we should all, collectively as shareholders, be thinking about as a normalized run-rate growth rate in the future.

With that, I'm going to talk a little bit about the market dynamic in each market that we're in. So, just what's going on in each part of the world so you have a little bit of context as to where some of those opportunities might come. And the backdrop to the investment environment in each area.

I'll start with North America where we have the most diversified fleet, the largest bulk capabilities and really, across all the major technologies today that are bulk power, other than probably offshore wind. That's probably the one area where we don't have a presence in. But, today, in North America in spite of, I'd say, the federal tone in the U.S. around climate change and around carbon reduction initiatives at the state level, it's just as active, if not more active, than it's been in the last decade.

California approved a 100% renewable target by 2045 just a month ago. The states in the U.S. Northeast, Connecticut, Massachusetts, Vermont, Rhode Island, all of them have come out with RFPs that are seeking to increase their exposure to wind and solar and hydro as a balancing product which

sets us up very well to be able to participate longer-term in those markets. And so, what we're seeing is very strong state-level action and, maybe the most important thing we're not seeing in the U.S. is investment in coal. In spite of, again, the political rhetoric, it's clear that U.S. coal executives and U.S. utility executives recognize that making a 40 to 50 year bet on a coal plant is a challenging way to create value over the long-term. And so, we're not seeing new coal being invested in and we think that that will mean continued coal retirement to bring the U.S. where it's about 30% to 35% today further down as renewable power standards at the state level increase.

If we go into South America, again, we're in Brazil and Colombia but, I would say, this generally applies to most of the countries we would invest in. Chile is now a country we would invest in. In fact, we have a small solar plant in Chile, which I don't think we highlighted here. But, in South America, we would view that market as really driven by demand growth. We continue to see 3% to 4% percent demand growth in the country which is driving already a natural short position in power. And, further exacerbating that short position. So, as a result, you see significant price volatility. You see significant pressure on power prices and we have a very, very large-scale power marketing capability both in Brazil and Colombia. In Brazil alone, we would have in the range of 150 clients around the country that buy power from us between 8 and 20 years in duration, and that doesn't include the government, which gives us a really nice hedge to be able to move our power to different customers and different client relationships. In Colombia, as Ruth mentioned, we went from all one to two-year contracts to, today, 15% of our contractual base is 5 to 10 years in duration and we think we can grow that immensely over the next five years.

If we look at Europe, Europe has continued to lead the world on renewable policy. Today, the latest EU standards would require all generation in Europe to be renewable by 2050. So, that's a significant undertaking. And that means that, for EU states to maintain their status in the Eurozone, they will continue to chip away at their thermal generation and continue to provide supportive policy around renewable wind, solar, offshore wind, hydro, pump storage, and batteries.

Looking to Asia Pacific, I'll start with China. In China, we have a small business there that we acquired through the TerraForm transaction. Today, 50% of all distributed generation in the world happens in China on rooftop solar, and that's largely because it's the manufacturing hub of the world. Many of you will recall, and if you don't know, about a year ago, we set up a JV with GLP, Global Logistics Properties, to put solar on the rooftops of their properties and third-party properties. So, we're setting

ourselves up in China to be able to participate in that renewable electrification of the country, drive pollution levels down but, most importantly, is we're trying to set up a niche business there, not compete with the SOEs and not get into the bulk power, but really on the distributed generation side. Taking advantage of the fact that a significant amount of manufacturing occurs there, and you can get economics that are in line with our target returns on manufacturing properties with international customers that help you understand the credit and ensure that we can manage the risk profile of those cash flows.

Then, in India, just to finish off that part of the world, India's made a huge effort to electrify the country. Just in the last five years in India, they have built out transmission, infrastructure, substation infrastructure, to provide electricity to every village in the country which means that 300 million people in the last five years are now able to have access to electricity, when, five years ago, they had zero electricity. So, although it might be small today, that is a huge boost to demand and we think that India will be, obviously, a very, very strong market in the long-term. There's federal level support, there's state level support. The federal government there has targets around solar and has also targeted the local utilities through recapitalization programs and balance sheet stabilization programs to help ensure that those utilities can continue to provide tariffs and be credit-worthy counter parties to investors like ourselves.

We often get asked about capital allocation, "as you globalize and you're in these different parts of the world, how do you see the risk profile of the business?" And, you know, to date, we've largely been a North American business, we're a developed market business and I think that will continue to hold for the foreseeable future, in spite of the fact that we see significant growth in Asia Pacific and Latin America. Generally, if you think about how we can get to 12% to 15%, the question we always get is how can you deliver these returns when the market delivers 6% to 8%? And, what we say to people is, if you look at our going in target returns, they are slightly higher, and you have to be a good investor on the way in. We think that we get a lot of margin of safety through our operational capabilities. So, if we make a mistake on underwriting, we can catch some up on operations. If we get it right on investing, but we don't get the operations, we're still in good shape. The best is when you can get all of it to work together.

But if you think about 60% of our capital goes into developed markets today, 25% into emerging markets, we do about 15% development. We're not a large-scale developer. We are, in terms of

aggregate megawatts, because we're just a large organization. But we are not a development shop just in the U.S., that's not the risk profile that we intend to deliver to investors. But, if you blend all of that together, you get to 12% to 15%. We think that that's a model that continues to work for us into the foreseeable future.

So, maybe to wrap it up and, before I get to questions, I just want to remind you of some of the key themes from today. I'd say, first, with our strategy around value investing, operational capabilities, and financial discipline, we think that we have a very proven, repeatable strategy as an organization. One that works in every market around the world and, as long as we continue to globalize the business, and have a multi-technology approach, it lends itself for us to be able to be a very strong capital allocator, look for unique opportunities. They're not always going to be distressed. They're not always going to be TerraForm or SunEdison type bankruptcies, but we can find those niche areas where we can bring a unique blend of investment, financial discipline, access to capital and operational capabilities that many others lack. If we can do that around the world, it will then lend itself to a tremendous track record and we can carry on from the 20 years that we've been doing this. So, maybe with that, I will open it up to questions.

There's a question in the front here.

UNIDENTIFIED SPEAKER:

How much of your business is reliant on subsidies from various forms of government, or reallocation like cap and trade or things like that?

SACHIN SHAH:

Yeah, so, the question, in case anybody did not hear, is how much of the business today is reliant on subsidies or reallocation from cap and trade schemes around the world? I'll start with subsidies. You know, I'd say, we've generally been averse to chasing subsidies. In part, because many financial investors around the world were really seeking out subsidies as a way to enhance yield and it was a difficult market for us to compete in and, in particular, then you had to take a sovereign view around the risk profile of that cash flow and could that subsidy be cut?

That being said, there are subsidies through the system. In particular, when we make acquisitions, we often make acquisitions of businesses that, obviously, have a significant component of subsidies in

them. The SunEdison business was the poster child of that. It had subsidies, from a tax equity perspective, through every asset. And we would underwrite a risk premium to that. Investors with a long memory would remember that Spain cut its tariff back in 2011 or 2012, around there. And, obviously, that subsidy was not right sized properly. I'd say we bring it down to a few fundamental things, can that government afford the subsidy? Are they running a tariff deficit or are they running a surplus? Do they have the balance sheet to be able to sustain that subsidy? And, is that subsidy there because the plant is fundamentally uneconomic? Or is it there as a way to induce investment and drive cost of capital down?

We've stayed away from the markets where the governments can't afford the subsidy, they're in a tariff deficit and where the location of that plant just fundamentally doesn't make economic sense. We're able to pursue subsidies when we have the other features, but we don't target subsidies as part of our core business. And most of the business, because it's a hydro business for the most part, has no subsidies at all. So, if 80% of our cash flows are hydro, I would say that none of that has any subsidies and of the balance that's wind and solar, I'd say it's probably half and half. So, it's pretty modest from a total business perspective.

On cap and trade, cap and trade regimes have not generated meaningful value for the power companies. It's not a lucrative part of our trading business. I would say where we make real money from a trading perspective, is the ability to take the products that we have, whether that's energy, capacity, ancillary products, spinning reserves, the various products that come off of our plants, bundle them together and sell them as a unique combined product to offtakes who are either industrial applications, utilities, governments. And they want somebody who can deliver those various products at the time they want it. And they'll pay us a premium for that. Very few organizations have that skillset or that capability. Today in our business, we don't make any money from cap and trade. It's not something that generates any meaningful value. Is that okay?

There's a question over here.

NELSON NG:

It's Nelson Ng from RBC Capital Markets. In your last slide, you had the capital allocation among various geographies, 60% developed markets. Could you talk about that in relation to TerraForm Power, given that TerraForm Power's, I guess, target geography is mainly in that developed market?

So, does that imply that Brookfield Renewable would allocate more capital towards the emerging markets where there's higher returns?

SACHIN SHAH:

Sure. So, we get this question a lot, is how does TerraForm Power fit into Brookfield Renewable's business. And, I'll start from, really, our access to capital as an organization. You've heard a number of my colleagues up here talk about our ability to bring our private funds to bear on transactions with our public listed vehicle money and we invest together in those transactions. Often, we're investing on any deal, 25 to 35 cents on the dollar, coming from the public listed vehicle. And the balance, call it 65 to 75 cents on the dollar, coming from our various fund investors.

TerraForm Power is no different than that. Today, Brookfield Renewable owns 30% of TerraForm Power. We intend to maintain our pro rata interest in the company. As we grow and use that cost of capital to grow in developed markets in the U.S. and western Europe, in wind and solar, we will fund into those deals through TerraForm Power, but Brookfield Renewable will contribute its 30 cents on the dollar into TerraForm Power as opposed to what it was previously doing, was contributing its 30 cents on the dollar through a private fund strategy. So, I'd say, really it doesn't change the dynamic. It just gives us another vehicle to be able to do this with a more focused lower cost of capital.

MARK JARVI:

Mark Jarvi from CIBC Capital Markets. It seemed like some of your targets around operating efficiencies and cost reductions, as well as, margin expansion have gone up, maybe, in the last year or so. I was wondering what you guys think in terms of the confidence around that to maybe take it higher. Also, the timing of your FFO growth drivers, whether or not those cost reductions and margin expansions are more front-end loaded, and developments the back half of the five-year period.

SACHIN SHAH:

There's a little bit I missed there but, I think what you're asking is, it looks like we're getting more confident on our FFO growth from operational levers, and are we going to increase our targets.

MARK JARVI:

Not so much that. I mean more how the balance of that, whether or not that's just, you know, more front-end loaded, the first one to three years of the five-year window and then development is more back-end loaded, I guess.

SACHIN SHAH:

Oh, I see, I see. It depends, market by market. I would say, in some of our businesses, you know, for example our Colombian business, I would say it's a gradual pace that's pretty even year over year. We continue to peel the onion back, we continue to find opportunities and we're being thoughtful about how we do that, because it was already a very well-running organization and we don't want to change the dynamic in the business. We just want to make it more productive and bring some of our learnings from the U.S. into that business.

On the other hand, if I look at a business like the TerraForm Companies, there I would say it really was a triage scenario and one where we had to make immediate cuts and do things that really put our stamp on those businesses, that would be more front-end loaded. So, I think it just depends on the situation. Some of it's front-loaded, some of it's pretty gradual.

Development, you know, we're targeting 1,000 megawatts in the next five years. If you actually look back at the last five years, where we did about 850 megawatts to 900, it was pretty even. Today, it's largely coming from three regions, LATAM, both Brazil and Colombia, and then parts of Europe, and we're seeing that the pipelines in those countries, it's going to be gradual. I would say it's not back-ended or front-ended, and the reason it's gradual is, as an organization, we try not to take on too much development all at once, and we do stagger our developments.

Now, naturally, if we see a strong bid in any market, and you see power prices that are attractive, then we'll accelerate some of those projects, but we generally think two to 300 megawatts per year is about the size that we can manage from a risk profile perspective. There's one question over here.

JONATHAN ARNOLD:

Jonathan Arnold from Deutsche Bank. I've a question on, you're showing the same FFO growth rate target that you had before and talking about growing the distribution at the 5% level, but I think the slides on the second quarter call showed getting payout ratio down to 70% of FFO. And now, it's kind

of up in the very high 70s still by 2022. So, what's changed, if none of those other pieces seem to have changed?

SACHIN SHAH:

Yeah, so, this question's more about payout ratio and where will it be in the long-term. And, if our targets are 60 to 70% long-term, then why are we not pushing harder to get there quicker and today's slide talked about five years really gradually getting into the 70s. I think that dovetails a little bit with what Wyatt was saying, which is, we believe, and what we're trying to articulate today is that there's a balance of factors in determining out dividend distribution rates over the long-term. It's not just payout ratio, it's also looking at balance sheet quality, cash flow quality, your return on versus your return of capital.

We're in the beneficial spot where so much of our income is a return on investment that we're not building an equity hole in the business, and we don't have the pressure to deploy as much capital. So, we can take a longer period of time. If we find cash flow growth coming out of the business and we can pay out a reasonable distribution growth rate while chipping away at that payout ratio, we think that that balanced approach is one that just lends itself to a reasonable run-rate of dividend growth for investors. We could turn off the dividend, for example, and just get the payout ratio right down. But, we don't feel that need. We're not under any pressure in light of the balance sheet and liquidity we have and as long as we have cash flow visibility in the business, for us, that's more important than simply the payout ratio.

So, having the transactions that we've made in the last five years, giving us a high degree of cash flow visibility and being able to utilize some of that cash flow to grow our distribution, we think makes sense.

JONATHAN ARNOLD:

Can you also talk about your, you talked about your sensitivity to develop market FX, could you talk about your emerging market FX exposure and, obviously, particularly in light of Brazil and the move in the exchange rate?

SACHIN SHAH:

Sure. I'd say, first, Brazil today would represent about 15% of our FFO so, it's quite small for our business. And that 15% remains largely unhedged because we've generally had the view that it was an expensive insurance product to undertake. So, we do have exposure there but, as one of our slides showed, that a 10% depreciation in the U.S. dollar relative to all the other currencies in our business would have less than a 5% impact to our FFO. So, we have a pretty low concentration to Brazil and the emerging markets in general and then, where we do have currencies that are hedgeable at a low cost where we view the risk/reward as being reasonable, we hedge them all out. So, I'd say, it's not a huge factor in the business today.

Oh, question right here.

JEREMY ROSENFELD:

Rosenfeld from Industrial Alliance Securities. Two questions on the technology. If you could comment very briefly on nuclear, it's technology, it's a little bit in a precarious situation right now in a lot of the markets because of collapsing, I guess, merchant pricing. It's not up there. It hasn't been up there in the past. What is the interest of Brookfield in nuclear? To what degree is there an interest?

SACHIN SHAH:

Well, we're positive on nuclear. We just bought a big business that you're going to hear about in the next presentation. Look, I'd say, here's the broad strokes on nuclear is, first of all, you're right. The collapsing merchant market has really put nuclear in the U.S. under tremendous pressure. The bulk owners of these, the utilities, have really been lobbying and advocating for what are called ZECs, zero emission carbon credits, and have been winning and have been getting that favorable government support. I think, if you just step back long-term, until you can build scale enough batteries and until you can build power that can be stored for many, many hours, not just a four-hour small-scale battery, then technologies like nuclear and even hydro, although, hydro is very different from a risk profile perspective, are absolutely going to be needed around the world because, there's no baseload power that you can put in place other than going back to coal and, maybe, some natural gas. But, you take on significant commodity risk if you do that.

So, I think our view is that nuclear will have an important part and remain an important part of the supply stack. There's always going to be nimbyism, and there's always going to be issues around

building new nuclear. It doesn't help that some of the recent collapses and failures around nuclear have, you know, hurt the perception of industry but, it's going to be an important part and it's going to be an important part in all parts around the world until you get to that place where you can build large-scale storage and baseload power, and we're nowhere even close to that. Not from a technology perspective, not from a manufacturing perspective, batteries are still in their infancy and they're not necessarily following the cost trajectory that solar wind went through because storing power is far more complicated than generating power simply off of a free resource.

So, our view is that nuclear is here for the long haul. It will need to get supported. In the U.S., it's getting supported largely because of jobs. Thousands of people work at these nuclear sites. And, if you displaced all of these because of low merchant power prices, you're going to have thousands and thousands of people working in utilities, and the offshoot businesses, out of work. And that's just not politically appealing to anybody at both the state level and the federal level. So, there's a lot of factors that support nuclear long-term.

JEREMY ROSENFELD:

But, from the Brookfield perspective, in terms of investment, not necessarily something that's on the radar?

SACHIN SHAH:

Would we invest in a nuclear power generation entity, I would say definitely not in our renewable group. And, you know, generally, we've stayed away from investing in the generation of it. I think, as you can see on the private equity side, servicing the plants and having long-term servicing agreements can really leverage the capabilities we have in those other groups like our power business and that's something we could do, and we could service all different types of plants. We could service coal plants, gas plants, nuclear plants but, investing in the generation side of it just has an entirely different risk profile, probably not one that lends itself to our cost of capital.

JEREMY ROSENFELD:

Okay and then just following up on technology, last year, you were up here and you did talk about offshore wind and you mentioned again in your presentation today, but, you know, Brookfield or Noble has not yet taken the plunge, pardon the pun, into offshore wind. Is there, you know, a big hurdle? What is it that is preventing Brookfield from actually making that first investment?

SACHIN SHAH:

So, the question, this is the last question, then I'll have to hand it over, the question is really on offshore wind. What I would say is it relates a little bit to what the gentleman next to you said, which is the level of subsidies in offshore wind have been so significantly above market that your risk/reward profile of offshore wind, in our view, was very, very skewed on either end. Meaning that you would just do okay if the tariff held and nothing went wrong operationally for 25 years.

So, everything had to be perfect. If tariff stayed intact, the technology didn't have any major flaws in it, the supply chain was intact, the operational risk was well understood. If all of that happened perfectly, you would do all right and at the current returns that we're seeing people invest in this sector, probably below our target returns and then, if any of those things went wrong, you could lose your capital. We just don't think that, for us, that's a good entry point at this point in time to invest in that type of scenario. We will, one day, be invested in offshore wind, but we'll do it in a way where we feel that we have the right protections in place. And, with that, I'll hand it over to Cyrus.