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Sachin Shah, Chief Executive Officer

Wyatt Hartley, Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Nelson Ng, RBC Capital Markets

Sean Steuart, TD Securities

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Robert Hope, Scotiabank

Mark Jarvi, CIBC World Markets

Rupert Merer, National Bank Financial

Ben Pham, BMO Capital Markets

Jeremy Rosenfield, Industrial Alliance Securities

Rachel Lei, Deutsche Bank

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the BEP First Quarter 2019 Results Conference Call and Webcast. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Sachin Shah, Chief Executive Officer. Sir, you may begin.

Sachin Shah, Chief Executive Officer

Thank you, Operator. Good morning everyone and thank you for joining us for our first quarter 2019 conference call.

Before I begin, I'd like to remind you that a copy of our news release, investor supplement and letter to unitholders can be found on our website. I also want to remind you that we may make forward-looking statements on this call. These statements are subject to known and unknown risks, and our future results may differ materially. For more information, you're encouraged to review our regulatory filings available on SEDAR, EDGAR and on our website.

We continue to advance our key priorities for the business. Our long-term objective remains focused on generating 12% to 15% total returns on a per-unit basis. Our approach over the last 20 years has consistently been to acquire high quality assets and businesses, surface value over time through operational improvements, while maintaining a low risk profile underpinned by an investment grade balance sheet and strong access to capital. More recently, we have reached a scale in the business where we can add asset sales as an alternative source of low cost funding which can be redeployed accretively into our acquisition and development program.

The first quarter of 2019 was strong as we generated FFO per unit of \$0.73, representing an 18% increase over the prior year. We agreed to invest approximately \$630 million of capital, or \$160 million net to BEP, across two transactions, one in Canada and one in India, all at returns commensurate with our long-term targets.

We also commissioned a 19 megawatt hydro facility in Brazil, and advanced an additional 134 megawatts of hydro, wind, storage and rooftop solar construction projects globally. We raised over \$400 million of proceeds through asset sales and the issuance of preferred units, and ended the quarter with \$2.3 billion of available liquidity. Finally, we continue to reduce our FFO payout ratio, which is now trending below 90% on an annualized basis.

As most of you know, in March 2019, we agreed to invest C\$750 million into TransAlta Corporation, the largest power producer in Alberta, Canada. The investment will occur in two tranches: C\$350 million was funded yesterday and C\$400 million will be funded in October 2020. The investment provides us with the option to convert into an interest in TransAlta's 800 megawatt portfolio of high quality hydroelectric assets in Alberta between the years 2025 and 2028, based on a multiple of 13X the average annual EBITDA over the prior 3 years before conversion. As part of the transaction, we also agreed to increase our ownership in TransAlta's common shares from approximately 5% today to over 9%. The TransAlta investment was the culmination of a multi-year relationship and establishes a strong partnership with the company to help advance its growth strategy as it transitions to a low carbon energy future.

In India, we've been discussing opportunities over the last number of years and generally have remained patient as valuations remain high. Today, we announced a relatively small transaction where we agreed to invest in two wind farms, totaling 210 megawatts in India, for \$70 million or \$18 million net to BEP, bringing our total portfolio in that country to just over 500 megawatts. These assets were recently constructed with a track record of strong operating performance and are fully contracted under a long-term 25 year power purchase agreement with a credit-worthy utility.

Looking ahead, we believe the business is well positioned to deliver strong results during all points of the economic cycle. Should the current protracted bull market continue into the foreseeable future, we will continue to execute on the same strategy that we have pursued over the last number of years: looking for pockets of capital scarcity and unique multifaceted transactions in order to partner with other counterparties. In addition, we will continue to finance the business on an investment grade basis and leverage our operating expertise to enhance value through operational organic growth levers.

Should the markets weaken, we believe our strong balance sheet, our liquidity, our robust asset sales program and access to capital will reduce the need to issue equity to fund growth. Accordingly, we believe we are one of the few companies in this sector with a strategy and the financial flexibility to benefit during periods of both market strength and weakness.

With that, I will now turn the call over to Wyatt to discuss our operating results and our financial position.

Wyatt Hartley, Chief Financial Officer

Thank you, Sachin and good morning everyone. During the first quarter, we generated FFO of \$227 million, up from \$193 million in the prior year. Our business continues to benefit from growing resource diversity, limited off-taker concentration risk, and the build-out of our development pipeline. During the quarter, overall generation exceeded the long-term average by 7%. As we have stated for many years, we do not manage the business based on under- or over-performance of generation relative to the long-term average and do not factor this into our long-term planning. Instead, our focus remains on diversifying the business, which, over the long-term, mitigates exposure to resource volatility, regional or market disruptions, and potential credit events. For example, given the breadth of our business, the recent events with PG&E will have no impact on our business as we have almost no exposure. Furthermore, our single largest non-government third-party customer represents only 3% of generation, providing strong downside protection and safeguarding our cash flows.

During the first quarter, our hydroelectric segment contributed \$218 million to FFO. In North America, generation was above the long-term average, and we ended the quarter with above-average reservoir levels in Canada and PJM

where we have significant seasonal storage flexibility. Additionally, we saw strong results in South America, supported by high prices for our energy and ancillary products.

We continue to make progress on contracting initiatives for our hydroelectric portfolio, signing 15 contracts in the quarter for a total of approximately 2,300 gigawatt-hours per year. Our focus in Colombia and Brazil has been to lengthen the term of our power purchase contracts, as power price volatility in these markets provides an opportunity to stabilize future revenues while locking in upside as our contracts are generally at or below market.

Our wind and solar businesses contributed \$67 million to FFO during the quarter, a 43% increase relative to the prior year as we benefitted from acquisitions and contributions from recently commissioned projects. We continue to generate stable revenues from these assets as we benefit from the diversification of our fleet and highly contracted cash flows with long duration power purchase agreements. Our storage facilities and other operations, which are not reliant on power prices but rather sell services to the grid, contributed \$7 million to FFO during the quarter.

We commissioned a 19 megawatt hydroelectric facility in Brazil from our development pipeline during the quarter. In addition, we continue to build out 134 megawatts of hydroelectric, wind, solar and storage projects that are currently under construction and are expected to contribute \$13 million to FFO once commissioned. We are also advancing our global hydro, wind, solar and distributed generation development pipeline, including 636 megawatts of construction-ready and advanced stage projects through final permitting and securing a route-to-market. We are also assessing 220 megawatts of repowering projects in New York, California and Hawaii, all markets where renewables play a critical role in providing low cost, clean energy.

Our balance sheet remains strong with \$2.3 billion of available liquidity at quarter-end. We have no material debt maturities over the next four years and our overall debt duration is 10 years. We remain well protected from foreign exchange volatility due to our hedging program. Accordingly, an overall 10% move in the currencies of markets we operate in would have an overall 4% impact to our FFO.

During the quarter we raised \$400 million through asset sales and the issuance of preferred units. We completed the sale of an additional 25% interest in a portfolio of Canadian hydroelectric assets. We also advanced the sales of our non-core portfolios in South Africa, Thailand and Malaysia that, once closed, will generate an additional \$90 million of total liquidity to BEP.

As always, we remain focused on delivering to our unitholders long-term total returns of 12% to 15% on a per-unit basis. We thank you for your continued support and we look forward to updating you on our progress in that regard.

That concludes our formal remarks. Thank you for joining us this morning. We would be pleased to take your questions at this time. Operator?

QUESTION AND ANSWER SESSION

Operator

Thank you, our first question comes from Nelson Ng of RBC Capital Markets.

Nelson Ng, RBC Capital Markets

Great thanks, good morning everyone.

Sachin Shah, Chief Executive Officer

Good morning, Nelson.

Nelson Ng, RBC Capital Markets

In terms of the \$70 million wind acquisition in India, what was the amount of project level debt, if any?

Sachin Shah, Chief Executive Officer

The project level debt would be consistent with general financing conditions in India. Right now, you are getting about 60% project level debt on the projects, and you would get a term in excess of 15 years and a pretty standard amortization profile.

Nelson Ng, RBC Capital Markets

Okay. Are you able to talk about just general, in terms of where the market is in India, in terms of general level of expected levered returns on assets?

Sachin Shah, Chief Executive Officer

Yes. I would say, historically, for the last, call it 5 years, levered returns in India, at least from our perspective, and I would say offshore USD returns, were generally trending between 10% and 12%, which is why we really stayed away from that market and why it was difficult for us to be acquisitive and even difficult to do development because development was on the high end of that range.

More recently, what we have seen in India is some of those sponsors, some of those companies that were growing with that type of return profile were also having to use significant amounts of sub-investment grade debt to effectively be competitive. And some of that debt has very near-term maturities and the markets there are distressed. In particular, the non-bank financial corporations are highly distressed in the country and so we think there might be an opportunity for us to secure better relative returns. If we were to invest in the country, we are targeting north of 15% USD returns with a path to 20%, just to protect ourselves from what is obviously a developing, emerging market.

Nelson Ng, RBC Capital Markets

Okay, and then just one last question on India. Obviously, I presume you are looking at a number of opportunities. Are you more focused on buying specific assets or are you open to buying a majority stake in an operator/developer?

Sachin Shah, Chief Executive Officer

Yes. Look, I think what you have seen from us over the years is that we keep ourselves open to all opportunities and we are not pivoting towards assets versus developers versus actual businesses. We are open-minded to all of them and in the end, it is about value and risk. And obviously if we buy assets, that is right in our wheelhouse because we do have an operating business there now. We've got people in the ground and we can just tuck them into our existing platform. If we work with a sponsor or another entrepreneur, then we are a good partner and we know how to partner up with people internationally and we could obviously create a lot of value together with somebody as well.

Nelson Ng, RBC Capital Markets

Okay, and then just one question before I get back in the queue. So, North American hydro, obviously a pretty good quarter. Looking into Q2, obviously there is a lot of water resources given the flooding we've been seeing and hearing about. Could you comment about whether any of the flooding had adversely impacted any of your operations in North America?

Sachin Shah, Chief Executive Officer

Sure. You are right, water levels have been very elevated. We've obviously been monitoring all of our hydro facilities, which we do regularly, but in particular with an eye to looking at reservoir levels and inflows more from a flood prevention perspective. I would say, at this stage, all of our facilities are safe and secure, our people are all safe and secure, and the threat level has actually diminished from maybe where it would have been two weeks ago and so, we are in pretty good shape. We have no breaches. We have no technical issues with our operations, and our teams, who are used to this and deal with this regularly, have done an outstanding job.

Nelson Ng, RBC Capital Markets

Okay, thanks.

Operator

Thank you, our next question comes from Sean Steuart of TD Securities.

Sean Steuart, TD Securities

Thanks, good morning guys. A question on the repowering opportunities in the U.S., I think that's a new lever you guys are talking about. Should I think of that as an incremental organic growth driver for FFO above and beyond what you guys have talked about with the specific buckets at your Investor Day, going back some time now? Is this a new lever for FFO growth going forward?

Sachin Shah, Chief Executive Officer

Yes, Sean, look, I would say yes only because although we've always ascribed value to it in the way we think about the assets we own, probably you know the last few years, it was just so far away that people didn't think about it and in particular, analysts and investors would have not ascribe meaningful value to it. So, I think as time marches on and the scale of our business, in particular, assets like wind and solar where repowering is a meaningful part of value creation, as you get closer and closer to that people will start to ascribe value and I think that's happening.

And I think secondly, from an acquisition perspective, repowerings are sort of a hybrid between M&A and development. And many financial investors would struggle to wrap their arms around that because it comes with a bit of a development type risk but also you are acquiring projects that are there. So, I think from our perspective, we have a pretty meaningful M&A pipeline today, and a good portion of that is assets in North America and Europe that have strong repowering potential.

Sean Steuart, TD Securities

And how I should think about the returns on repowering versus more traditional development? You guys are pretty explicit about the returns you expect on that front, what's the differential for these repowering opportunities?

Sachin Shah, Chief Executive Officer

The way to think about it is on a repowering, you are actually getting paid a little bit in the front end to then surface value on the option that's there. So, therefore, you should see returns slightly lower than pure greenfield development. So, if we're targeting north of 15%, or if we're targeting 15% to 20% on greenfield development, we are at the lower end on what I'd call repowering opportunities. The lower end of that range.

Sean Steuart, TD Securities

Got it, I'll get back in the queue. Thanks, Sachin.

Operator

Thank you, our next question comes from Andrew Kuske with Credit Suisse.

Andrew Kuske, Credit Suisse

Thank you, good morning. The first question is probably for Wyatt and it's just on the contract profile on page 16 of your supplemental and when we look out into 2021, what's driving the dynamic of the price per megawatt-hour increase from \$80 in 2020 to 2021 where it's \$89?

Wyatt Hartley, Chief Financial Officer

Andrew, I think what this is reflective of is a number of things. I'd say, one, we have the inflation indexation on a number of our contracts as we highlighted a number of times. As we mentioned with the new Ontario contracts, that we agreed through the restructuring with BAM to get 3% inflation on those contracts. So, one, it is the impact of just the broad escalation of inflation on those underlying PPA prices and then incrementally, it's also an impact of mix where some of the contracts that are coming off, they are coming off at the lower prices, where our high valued ones are staying in place longer term.

Andrew Kuske, Credit Suisse

Okay, and then when you look out, say the next few years, if you were to mark-to-market prices that exist today for the things that you don't have under contract, so, if you went back to sort of 85%, 90% in 2021, what do you think that blended number would be on a realized price for BEP?

Wyatt Hartley, Chief Financial Officer

Yes, I mean, Andrew, the way we broadly think about it is over the next 5 years we have, in North America, we have around 4 terawatt-hours per annum of generation coming off contract. That will roughly be at market levels, so it won't really have an impact on our FFO. Where we do have a more significant contract roll-off is out into 2029, and we've always been focused on growing our business so that becomes a less meaningful impact on our FFO. But over the next 5 years it really is more lower price contracts that are coming off, so the impact will be, as I mentioned, minor to our FFO and will increase the average price that we are realizing on our contracts.

Andrew Kuske, Credit Suisse

Okay, if I could just shift gears, still on hydro but now in Colombia, could you just outline some of the cost reductions initiatives that you undertook in the Isagen portfolio and how do you stack the cost reduction initiatives that you've done thus far versus other things in the portfolio from a benchmarking basis?

Wyatt Hartley, Chief Financial Officer

Yes, I think what I'd say there, Andrew, just given the nature of the acquisition in Colombia, it was a government-run organization and the margins were well below where we would have expected. So right now, a lot of the reductions

are focused on reducing headcount, and what I mean by that is mainly on the contractor side. So, we have made significant reductions in the use of contractors in the business.

Incrementally, we are implementing, right now, a central control center, which again is very meaningful in reducing the overall cost of the business. So right now, at this point, the margin in that business is still around kind of the 60% level. The margins we expect, generally, are more like 70%. So, we are just really chipping away at a number of things that we identified on underwriting, and continue to identify to get those margins back in-line with where we'd expect our overall portfolio to be.

Andrew Kuske, Credit Suisse

Okay that's great, thank you.

Operator

Thank you, and our next question comes from Robert Hope with Scotiabank.

Robert Hope, Scotiabank

Good morning everyone. Turning over to the TransAlta transaction, can you just touch on what you think the pros and cons are of the structure of the transaction, as it would be a little bit different than some of the other kind of quote-unquote sponsorship agreements that you have with other companies?

Sachin Shah, Chief Executive Officer

Sure. Hi, Rob, it's Sachin. So, look I think the benefits of the transaction are that this will provide TransAlta with the capital it will need to transition away from coal. And coal, as we all know, is a difficult asset class. It's difficult to finance, it represents an overhang on the stock, and the rating agencies and lenders are not thrilled about the outlook of coal for the broader business.

So, I think the company had few options. One, would have been obviously to just be patient and wait for the next three or four years. Two, would have been to issue equity, probably because they are tapped out of issuing a lot more debt, and issuing equity, I don't think any of the shareholders, including ourselves, would have liked that at this stage. And three, would have been to try to find some form of partnership where they could source capital and potentially expertise.

And I think in our transaction, the real benefit is that they source both capital and a partner who has expertise in renewables and as they transition away from thermal, obviously, the future of electricity in every market around the world is going to be heavily underpinned by renewable technologies, and so this company needs to build that into its operating base, and we think we can assist in that regard.

So, I think that's the real benefit of the transaction. From our perspective, we're obviously taking some risk. We are underwriting it with a view that we will convert in the future based on whatever the future looks like, and there are not many organizations in the world who would do that. And what we think we have done by establishing a framework like that is demonstrated to them that we would be a strong partner, and we are prepared to help them improve the outlook of that project because we will be aligned with them as a real equity owner in that portfolio. So, I would say those are the broad benefits to them and to us.

From a negative perspective, I'd say obviously those hydro assets were an important part of their business, and I think as they weighed-out selling or monetizing them, they wanted to make sure that they weren't monetizing them at today's value, which would be arguably a low point in the cycle, and they also wanted to make sure that they never lost control of those assets. So, I think they did a good job in making sure that if we were going to acquire an interest

in them that it would be at some point in the future such that they would have a chance to realize all of the value for themselves that they can create over the next 5 years as power prices increase, as market deregulate, as the capacity market comes online. And then secondly, they did a really good job in ensuring that irrespective of anything, they will always retain control of those assets. So, I would frame it that way.

Robert Hope, Scotiabank

All right, and then just on that last point, just in terms of controls. Do you view yourself as an investor in these assets or partner that at some point could exert more control?

Sachin Shah, Chief Executive Officer

Well, we are definitely a partner. Look, we are going to put two people on the Board, two very, very credible people who have many decades of experience in the renewable sector in Richard and Harry. We're going to increase our stock ownership. We already were one of the larger shareholders, but we're going to grow that, almost doubling the amount of shares we own. It would be hard to not call us a partner in that regard.

And obviously, as a partner, we're a little bit more unique than what I would say a typical 5% or 9% shareholder would be in that we have a lot of capital now that we've invested into the business, specifically into those hydros, and we're going to be rowing the same direction as everybody to surface value from them. So, I think that makes us firmly a partner.

Robert Hope, Scotiabank

Excellent, thank you for the colour.

Operator

Thank you, our next question comes from Mark Jarvi with CIBC Capital Markets.

Mark Jarvi, CIBC World Markets

Good morning. It's been about a year since you guys took a stake in Infigen down in Australia, just wondering what you guys are seeing in that market and whether or not that is sort of a priority market for you guys to potentially put more capital to work.

Sachin Shah, Chief Executive Officer

Hi, Mark. Yes, Infigen, as a group we own 9% of the stock there and I would say first of all, the stock price has actually declined since we came into that position. And our outlook in Australia was really one where we believed over time power prices would drop and that the business there would really need an owner or sponsor or strategic partner who could help surface value through improvements in operational costs, improving margins, running the assets more efficiently, which is what we think we bring to the table and then also looking for development and bolt-on growth opportunities for that business.

Today, we continue to be patient because I think our thesis on power prices in that market is playing out, they are declining, hence why the share price has dropped. We continue to talk in a very construction way with management and I think we're either going to find a way to work with them and become a partner, but on an outlook that's realistic, or we're not and we are just going to sell out of the shares. And I think we've made that clear and we will see how

this evolves over time. But we are going to be patient because although it's an important market, it's not a huge market for us and Australia is not a market that has a deep amount of scale, but it's a nice-to-have.

Mark Jarvi, CIBC World Markets

Would you say there is a pecking order of sort of India upfront in terms of greater importance and other parts of North America and Europe versus Australia right now?

Sachin Shah, Chief Executive Officer

I wouldn't compare India to Australia. The way we think about it is, we try to put, call it 75% of our capital into stable developed markets. North America, Europe and Australia would qualify as part of that bucket, but because North America and Europe are such large markets – have deep, deep investment opportunity – it doesn't really move the dial if we are in Australia or not in terms of how we spread that exposure across those two markets.

Then when you think about the balance, the 25% of our capital going into emerging markets, you know five, seven years ago if we were having this call it was really all just Brazil. And what we wanted to do a number of years ago, was to broaden out the number of countries that had an emerging market exposure that we could invest in, but not increase the size of that 25% share. And we think that's a smarter way to invest, a way that actually reduces the risk and makes it less binary and therefore, we've added Colombia and now we've added India and China. And I think that's why we've been prioritizing growing in those markets, because it actually just further diversifies the risk of that 25% bucket as opposed to comparing it against a developed market the way you positioned it.

Mark Jarvi, CIBC World Markets

Okay, and then obviously you added some contracts in South America, maybe you guys can give a bit more colour in terms of duration and pricing of those contracts compared to what you kind of had, I guess as trailing 1 or 2 years realized pricing down there?

Wyatt Hartley, Chief Financial Officer

Yes, thanks, Mark. So, I mean, looking at the various markets, I think in Colombia, as we mentioned a number of times, it has always been a very highly contracted market, but general convention in those markets are 2 to 3 year contracts. Our goal since we've gone into the business was to get more duration on those contracts, and that's what we've been executing.

So, right now around 25% of our contracts in Colombia are anywhere from 5 to 12 years, so we've had a fair amount of success in adding duration to those contracts. And we've been doing it in-line with the pricing that we had previously been discussing. So, above where our current contracts are rolling off.

Same thing in Brazil, in that market we've been contracting PPAs with industrial and commercial off-takers for a number of years and so we just continue to extend those contracts. I think the average duration of the contracts we've signed are between 6 and 10 years. So, adding some more duration there. And again, on a pricing level, at prices that are consistent with where we would have indicated previously, and generally above where contracts our rolling off.

Mark Jarvi, CIBC World Markets

Okay, helpful, and then switching over to Europe you know with the election in Spain, has that impacted at all in terms of your views on that market or do you think there is going to be any disruption in terms of anything there, in terms of people's willingness to commit capital when there is sort of uncertainty on longer-term policy there?

Sachin Shah, Chief Executive Officer

Yes, the new party that has come into power has been highly supportive of renewables. And I'd say, even through the election, all of the parties were largely committed to the current target in terms of new renewable content and the importance of the renewable market. So fortunately for us, we don't see any meaningful policy change or outlook on investment at this stage.

And at a minimum for the Saeta transaction that we acquired into TerraForm last year, we continue to be very happy with the assets, they are performing really well, and also the regulated rate and the tariff that is set in Spain, we expect to be in that 7% range, which is well above what we underwrote when we acquired the business.

Mark Jarvi, CIBC World Markets

Okay, thanks Sachin.

Operator

Thank you, our next question comes from Rupert Merer with National Bank Financial.

Rupert Merer, National Bank Financial

Hi, good morning everyone. On liquidity, how are you thinking about your liquidity position today? You talked about your ability to deploy capital in the event of a downturn. Given we could be at a late point in the cycle, should we look to BEP to maintain a higher level of liquidity over the next couple of years?

Wyatt Hartley, Chief Financial Officer

Yes, Rupert, I think, what you've seen out of us is we've been very focused on bolstering our liquidity. As we mentioned in our materials, our liquidity right now is at \$2.3 billion, and we've always been focused on making sure that liquidity has sufficient term. So, our revolving credit facility, which we negotiate on a bilateral basis with a number of Schedule A financial institutions, is over 5 years.

And so, we do that because to be an opportunistic investor, having that liquidity available to take advantage of when capital might get a bit scarce is important. And then fundamentally, as we mentioned in our materials, we have over time grown the scale of the business so that we have an opportunity to recycle assets as a primary source of funding, which is really impactful in a downturn market where capital gets scarce, and we don't have to issue equity to achieve our growth.

So, having a significant amount of liquidity through the credit facilities that we have as well as a diverse source of capital, which includes the asset sales, has been a focus of ours and we think that really positions us well both if we continue on in a strong market or if we are on a downturn. We think we are well positioned either way.

Rupert Merer, National Bank Financial

So, you will be looking to recycle more capital this year, do you have a sort of a set amount of capital you'd look recycle every year?

Sachin Shah, Chief Executive Officer

I'd say it's not that programmatic. What I would say more broadly, Rupert, is that over the next 5 years if you look at our growth plans, we are building up the liquidity and we have the scale in the business such that we could fund this business with internally generated cash flow through asset sales and the existing liquidity we have. And we think that's pretty unique in the industry today, in that what it means is we're not going to be overly reliant on the capital markets, in particular, equity markets.

And then from a debt perspective, having an investment grade balance sheet and having a cushion in our credit metrics is also a huge advantage for us. So, if we needed to tap the credit markets to help bridge growth, we could do that. Our bank lines, as Wyatt said, are very readily available and have significant room in them.

We also have, and we never really talk about this, but it's been alluded to over time, is we have our private funds. So that is a source of capital that sits beside us that allows us to then use both our capital at BEP plus the private fund capital to look for unique growth opportunities. And again, all of that, although it's great to have right now, it becomes really exceptional in a downturn. So, we think we're really well positioned, and we've been focused on this for a while now.

Rupert Merer, National Bank Financial

Okay thanks, and then quickly on Colombia, you talked about your re-contracting there. We saw quite strong prices in Colombia this quarter, I know there is some colour in your disclosure. I'm wondering if you can give a little more colour? For example, how good were the prices on the spot market and how much of your generation was uncontracted this quarter? And then maybe how that will change going forward with your new contracts?

Wyatt Hartley, Chief Financial Officer

Yes. So maybe to split that into two. Generally, just in terms of our contracted versus uncontracted, the way we manage that business is we contract around 70% of our LTA generation, and we do that just as a way of mitigating risk, just in terms of the potential for resource volatility. In the Colombian market, there is a delivery obligation on your contracts and so we don't want to be caught short. So that 70% contracted level is what you will expect to see over the long-term and that we are selling that remaining 30% in the spot market.

In terms of that spot market and the dynamics in Q1, I'd say there was two dynamics here. One is the country generally is performing really well. Power demand is increasing, so year-to-date, power demand has grown at 4%. And there's not a lot of generation supply coming online, and so that has put some upward pressure on pricing.

And then incrementally Q1, which is their dry season, was an abnormally dry season, and a lot of the other generators in the country were at below LTA reservoirs, whereas we had stored water coming into the end of 2018, and so we're around LTA in terms of our reservoirs, so we were able to use that dynamic to capture premium pricing. And so, I think, that part of it is more of an opportunistic thing, but just in terms of the dynamic around power demand increasing, we think that will be a continued tailwind for our business in terms of upward pressure on spot prices.

Rupert Merer, National Bank Financial

Great, thanks for the colour.

Operator

Thank you, our next question comes from Ben Pham with BMO.

Ben Pham, BMO Capital Markets

Thanks, I want to go back to India and wonder if you could comment on your target returns in the region? And whether as you build this region up, potentially we see some O&M synergies or is it mostly just a cost of capital difference that makes you competitive?

Sachin Shah, Chief Executive Officer

First of all, and I think I had said in an earlier question, we're targeting returns in that north of 15% USD offshore with obviously a path to better returns than that through operational improvement and value enhancement that we can bring. And that's fairly consistent with our emerging market strategy.

In terms of what we can deliver in that market, I would say, given that it is the deregulated market, where scale matters, it's really well suited for our type of business, because with scale, with capital efficiency, with the ability to do M&A and development and obviously, the expertise we have from an operation and maintenance perspective, we think we can acquire well, and then we can improve assets through strong operations, through improved availability, through reduced cost, margin enhancement, all of which then drives additional capital efficiency in the business as well. So, look, we look at it as a really good market, where it's well-suited for a broad operationally-based investor and someone with scale capital who can make large investments in the country.

Ben Pham, BMO Capital Markets

Okay, and maybe can I ask, just with your recent entry into Alberta at a good multiple on the hydro side, could you comment on, when you look at hydro globally, where you think that sector is from a cycle perspective? And it's mostly been money flowing from strategics to pension plans paying huge multiples. I mean, is there opportunity for you, you look at globally, where you can be successful in deals like you did in Alberta?

Sachin Shah, Chief Executive Officer

I'd say broadly on hydro, it's an important asset class. If you're going to move away from thermal in markets around the world and you are going to have the bulk of your power coming from non-carbon emitting sources, well then nuclear, hydro, wind, solar, these are, today, the readily available bulk power suppliers that don't produce carbon. And obviously, hydro is one that we happen to have a deep expertise in. So, I think our objective in the businesses is to continue to acquire hydro, continue to acquire it in situations where we think we can add value to the situation. And often, that means that, you know, merchant hydro is probably an area that's less suitable for pension plans. As you said, pension plans are looking for more contracted cash flows and that stability that comes with a long-term PPA. Whereas, I think, strategics are really still the investors who look at merchant hydro because, obviously, it's more operationally complex and requires the capabilities to market power and trade power and sell services.

So, I think for us, that's obviously an area of strength for us, both on the operation side, but also on the trading and marketing side. And then secondly, we continue to like hydro, because they are long duration assets and you can earn very good, stable returns over a long period of time, and they can be financed really well.

Ben Pham, BMO Capital Markets

Okay, and maybe lastly, you shared your thoughts on your positioning in a potential downturn, you can really capitalize on that. And it's great you highlight that because I think a lot of people tend to forget you do benefit from market strength as well. But the market strength side, I mean, outside of rising power prices and refinancing debt, is there anything else there I may be missing on the market strength?

Sachin Shah, Chief Executive Officer

I think what we're really referring to is, we've just gone through a period where valuations continued to increase largely because investors, pension plans, financial investors, need to allocate capital to this sector. Whether they need to allocate it because they are increasingly moving their allocations to private investment versus public securities or whether they have ESG requirements, or whether they actually just believe renewables are a great asset class in and of themselves, we're just seeing a flood of money to this sector. And as that occurs, valuations go up, obviously, just due to the supply and demand situation.

And, I think a lot of that comes from the fact that we've just been now in 10 years of strong markets and therefore, valuations, they start to creep up higher and higher, and they are underpinned by very, very low rates. And in that type of environment, obviously, if you look at our business, we have not changed our return threshold. We have not reduced them to compensate for that lower yield environment or to compensate for the higher valuation environment. And all we're saying really is that if you believe that cycles over time change, then it's prudent on our part as managers to make sure we have a business that can perform well, even if the cycle turns.

And for us to do that, it means we need to have a very strong balance sheet with an investment grade profile. It means that our debt maturities have to be pushed out, and we've done that now with over 10 years of debt maturity in terms of average duration, have bank lines that have a high level of availability and have term behind them, and then obviously from a broader Brookfield perspective, we raised private funds and we have strong sponsorship and strong alignment with Brookfield Asset Management. So, all of that really underpins the firepower that our business has, such that if markets do turn and investors pull back, we might actually see a unique opportunity acquire significant assets for deep value.

Ben Pham, BMO Capital Markets

Okay, thanks a lot for your help.

Sachin Shah, Chief Executive Officer

No problem.

Operator

Thank you, our next question comes from Jeremy Rosenfield with Industrial Alliance Securities.

Jeremy Rosenfield, Industrial Alliance Securities

Thanks, just a couple of clean-up questions. First, with regard to the construction-ready projects and the repowering projects, how much of that is within the TERP entity specifically versus Brookfield or Brookfield Renewable? Or is it all in TERP on the repowering side?

Wyatt Hartley, Chief Financial Officer

So, I think we've said 220 megawatts of potential repowering opportunities. There is some directly in BEP. I'd say around 150 megawatts is in TERP. So, the majority of it is in our fleet in TERP, but we do also have some that are directly owned on BEP's balance sheet.

Jeremy Rosenfield, Industrial Alliance Securities

Okay, and then the \$50 million of FFO once commissioned, is that referring specifically to both the construction-ready and the repowering opportunities? Or was that only the repowering?

Wyatt Hartley, Chief Financial Officer

No, that's all of that. So, the more advanced and construction-ready development pipeline at around 600 megawatts on gross basis plus the repowering, that total, and the net to BEP megawatts of that pipeline is around 500 megawatts, in total.

Jeremy Rosenfield, Industrial Alliance Securities

Okay, and was there a capital amount that you have in mind in terms of the potential investment opportunities associated with those projects?

Wyatt Hartley, Chief Financial Officer

Yes, I mean, as I mentioned, there is around 500 megawatts of net to BEP. It's a mix of wind, solar and hydro, so if you said kind of \$1.5 million per megawatt, that's around \$750 million of total capital, and you probably could get 60% leverage on that. So that's around \$300 million to \$350 million of BEP equity capital over that period.

Jeremy Rosenfield, Industrial Alliance Securities

Okay, thank you, that's very useful. And then just in terms of the TransAlta strategic investment agreement and the two tranches, I understand that it's about 25% that is going to be the net investment from Brookfield Renewable, I'm just curious in terms of the different tranches, if each tranche is also 25% or if there is a difference in terms of one tranche versus another?

Wyatt Hartley, Chief Financial Officer

There is no difference. They are the same in each tranche.

Jeremy Rosenfield, Industrial Alliance Securities

Okay and then just maybe from a more high-level perspective. Recognizing that, I guess, you don't see yourselves as potential owner/operators long-term of gas assets from of strategic perspective and really, you're willing to be a shareholder in TransAlta and backstop its transition to a more renewable future. So strategically, if you look at other entities and other opportunities, do you have a willingness to sort of replicate this and take on some thermal exposure elsewhere in order to gain access to high quality renewable assets?

Sachin Shah, Chief Executive Officer

Yes, that's a good question. I'd say first, we have owned gas plants, we actually do own gas plants in the business, not a lot as you said. Not because we don't like gas plants, we actually would love to own more gas in the business, we just think the economics have been really tough in the last decade with the efficiency of combined cycle turbines increasing significantly, heat rates coming down very, very meaningfully, and a flood of cheap gas. All of that has lent itself to, you know that could be a tough business to make money in over long period of time. So, we like the asset class and we like the technology, we just need a better framework to be compensated for the risks that come with it.

So, I'd say full stop, we like the technology, we actually think TransAlta does a really good job with their gas plants and their expertise on gas is very important, and it's something that obviously we'll get to see first hand and learn a lot from. And as you said, this transaction gives us a pretty unique vantage point to be able to get that exposure through our share ownership to a broad portfolio of renewables and gas plants, and the partnership obviously then gives us that direct exposure to hydro.

Would we then replicate this? Absolutely, you know if we found other opportunities to partner with companies that are transitioning away from their thermal past into their renewable future, we think that this could be a pretty good model. I'm not at all suggesting that there is a long list of companies that want or need that, but it is absolutely a model that we could replicate and employ in other parts of the world because we think it presents really unique benefits to both sides of the partnership group.

Jeremy Rosenfield, Industrial Alliance Securities

Okay great, thank you.

Operator

Thank you, and our next question comes from Rachel Lei with Deutsche Bank.

Rachel Lei, Deutsche Bank

Thank you, good morning. First off, I just wanted to ask in terms of share buybacks, did you guys do any this quarter? And what are your thoughts and your priorities going forward?

Sachin Shah, Chief Executive Officer

No, we didn't, Rachel. We did not buy back any stock this quarter. I think we mentioned last quarter that we had invested about \$50 million buying back our stock at an average price of around \$27. That was obviously on the back of some market turbulence in December that everyone on this call would know about. More recently, the markets have started to stabilize, the outlook on yields continues to remain low, and it looks like central banks around the world, in particular the markets where we operate, are not pushing rates up. And so, I'd say at this stage, probably you shouldn't expect us to be buying a lot of our stock back. We continue to think there is value, from an intrinsic value perspective, that our stock is trading at a discount and you can see a few years ago we had posted what we thought the intrinsic value of the business was at that time.

But on a relative value basis, we're seeing really, really strong M&A and development opportunities around the world. And so, for us it's about prioritizing where our capital goes. And at this stage, we want to keep our liquidity levels high and find growth opportunities to expand the business.

Rachel Lei, Deutsche Bank

Great, thank you. My last question is about emerging market currency hedges. I know you've said some of the markets are really expensive to execute the hedges. And just given the fact that you may, as you mentioned, allocate 25% of your equity to markets like India and others, can you just give us some high-level thoughts about your currency hedge strategies in some of the markets? Thank you.

Sachin Shah, Chief Executive Officer

Sure. Look, I'd say full stop, we hedge every currency that we can where there's liquidity and the cost of hedging make sense. So virtually, every currency that we have in the business is fully hedged back to the U.S. dollar. The two that are more expensive are the Indian rupee and the Brazilian real, in particular the Brazilian real, and that's a function of the yield differentials in the countries, between the U.S. dollar and those currencies.

And so, the way we think about it is, if you were to pay all of that differential away, effectively buying insurance, then you need to also factor in, are you growing in those countries? Are you just redeploying that cash back into that country to continue growth? Do you need the capital back at any point in time and what's the duration of your investment in that country, are you going to be there for 20 years? Well if you are then you likely don't need to buy a very, very expensive insurance policy. Now, on the other hand, if you are selling assets and you're trying to bring capital back up into our U.S. treasury, then we would hedge, even at a higher cost.

So, I think with those two countries, we take a little bit more of an opportunistic view about the cost of insurance relative to our capital needs. Whereas in all the other countries where we operate, the cost is just so low today given where rates are, it is just a no-brainer, we would buy the insurance all the time.

Rachel Lei, Deutsche Bank

Great, thanks.

Sachin Shah, Chief Executive Officer

No problem.

Operator

Thank you and I am not showing any further questions at this time. I would now like to turn the call back over to Sachin Shah for any further remarks.

Sachin Shah, Chief Executive Officer

Okay, thank you everyone. As always, we really appreciate the support, the interest in the company, and we look forward to continuing to update you during 2019 on our progress on all of our key objectives. Thank you everyone, take care.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program and you may all disconnect. Everyone, have a wonderful day.