

CORPORATE PARTICIPANTS

Sachin Shah, Chief Executive Officer

Wyatt Hartley, Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Sean Steuart, TD Securities

Robert Hope, Scotiabank

Nelson Ng, RBC Capital Markets

Rupert Merer, National Bank Financial

Moses Sutton, Barclays

Ben Pham, BMO Capital Markets

Andrew Kuske, Credit Suisse

Mark Jarvi, CIBC World Markets

Frederic Bastien, Raymond James

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Brookfield Renewable Partners Second Quarter 2019 Results Conference Call and Webcast. (Operator Instructions). 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 of Brookfield Renewable Partners. Sir, you may begin.

Sachin Shah, Chief Executive Officer

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

Before we 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.

Our business performed well in the second quarter of 2019, supported by strong performance at our operating businesses and contributions from recent acquisitions. We advanced our strategic

priorities during the quarter, deploying capital in a number of transactions while maintaining a robust balance sheet and access to capital.

Of note, we generated FFO per unit of \$0.74, a \$0.35 increase over the prior year. We announced our investment in a joint venture with a global solar developer with over 6,500 megawatts utility-scale PV solar for approximately \$500 million, or \$125 million net to BEP, which we expect to close in the fourth quarter. We closed the acquisition of 210 megawatts of operating wind in India and the first C\$350 million tranche of our C\$750 million investment into an Alberta renewables portfolio. We announced the acquisition of a 322 megawatt distributed generation portfolio in the U.S. through TerraForm Power, nearly doubling our DG footprint and providing significant opportunities to drive incremental cash flow growth through operational and commercial synergies. And we ended the quarter with over \$2.5 billion of available liquidity, raised approximately \$275 million in incremental liquidity with the closing of the sale of certain of our South African facilities, as well as strategic up-financing and other liquidity initiatives. Finally, we reduced our FFO payout ratio on an annualized basis to approximately 85%.

Subsequent to the quarter-end, we also announced our 50-50 joint venture with KKR to own one of the largest solar developers globally with an experienced management team, best-in-class contracting capabilities and a proven track record of developing assets at premium returns. The portfolio comprises approximately 275 megawatts of operating solar, 1,400 megawatts of solar under construction and a broader 4,800 megawatt development pipeline, which should provide significant growth optionality over the long-term. Over the next five years, the plan for the business is to develop 500 to 800 megawatts of new solar capacity annually in the existing pipeline and to look for additional development opportunities in the global solar market. This growth will complement our existing pipeline of development projects that today include over 600 megawatts of advance-stage wind, hydro and solar and approximately 130 megawatts of assets under construction. We expect to close the investment in the fourth quarter of 2019.

Additionally, subsequent to quarter end, we announced through TerraForm Power that we entered into an agreement to acquire for approximately \$720 million, a scale distributed generation business in the U.S. totaling 320 megawatts of recently constructed, fully contracted capacity, underpinned by 17-year average remaining PPA terms with credit-worthy off-takers. This investment will nearly double our DG footprint, making us one of the largest such portfolios in the U.S. and providing significant opportunities to drive incremental cash flow growth through operational and commercial synergies. The investment is immediately accretive and requires no incremental capital as we expect to fund the transaction in TerraForm through project-level financings and asset sales. This transaction extends TerraForm's contract profile, reduces its portfolio resource variability and improves its organic cash flow growth. We expect the transaction to close in the third quarter of 2019.

Finally, we continued to execute on our capital recycling program during the quarter, completing the sale of four of the six projects in our South African portfolio, with proceeds of \$108 million, or \$33 million net to BEP. We also advanced the sales of the final two projects in our South African portfolio and other non-core portfolios in Thailand and Malaysia. We expect these asset sales to close in 2019, for total proceeds of approximately \$180 million, or \$55 million net to BEP.

I'll now turn over the call to Wyatt to discuss our operating and financial position.

Wyatt Hartley, Chief Financial Officer

Thank you, Sachin, and good morning, everyone.

During the second quarter we generated FFO of \$230 million, up from \$172 million in the prior year, as the business benefited from contributions from recent acquisitions and operational

improvements driving cash flow growth. We also continue to benefit from the diversity of our portfolio as strong generation from our North American hydroelectric fleet more than offset a period of relatively weak wind resource.

In the second quarter, our hydroelectric segment generated FFO of \$226 million. The portfolio saw strong generation in North America at 15% above the long-term average, and strong pricing in Colombia. We continued to advance our contracting initiatives across our business, with a focus on commercial and industrial customers. In South America, we remained focused on extending our contract terms, signing 14 PPAs in Colombia and Brazil for a total of over 1,200 gigawatt hours per year. As a result of these initiatives, in Colombia, approximately 30% of our contracts now have terms greater than five years versus none in 2016 when we acquired the business. In North America, we continue to benefit from a 17-year average contract term and no material maturities until 2029.

Our wind and solar segments generated a combined \$66 million of FFO, up 32% relative to the same period in 2018, as we benefited from acquisitions and contributions from recently commissioned projects as well as our cost-saving initiatives. We also added 25 megawatts to our global rooftop solar portfolio, including commissioning 10 megawatts through our joint venture with GLP in China, and closing the first phase of a 15 megawatt acquisition in the U.S. Northeast.

Our storage and other operations segment performed well, generating \$7 million of FFO during the second quarter, as the growing intermittency of global electricity grids continues to increase the scarcity value of utility-scale renewable storage.

We ended the quarter with over \$2.5 billion of available liquidity. In addition, we continue to prioritize an investment-grade balance sheet, we are rated BBB+ by S&P, which we believe gives us significant financial flexibility and provides investors with a lower overall risk profile. Lastly, we remain focused on terming out our debt at low rates and hedging our cash flows from currency fluctuation when the cost is economically prudent.

During the quarter, we extended the term of debt in our Colombian subsidiary to approximately 10 years by issuing COP 1.1 trillion of bonds in the local market. This was one of the largest financings ever completed in Colombia and, given the high-quality nature of our portfolio, was significantly oversubscribed. At TerraForm Power, we progressed up-financings of select assets in the portfolio and used the proceeds to repay credit facilities.

Looking ahead, we continue to focus on executing on our key priorities, including maintaining a robust balance sheet and access to diverse sources of capital, enhancing cash flows from our existing business and assessing acquisition opportunities.

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'd be pleased to take your questions at this time. Operator?

QUESTION AND ANSWER SESSION

Operator

Thank you. (Operator Instructions) And our first question comes from Sean Steuart with TD Securities. Your line is now open.

Sean Steuart, TD Securities

Thanks, good morning everyone. A few questions. The 500 to 800 megawatts per year for the X-Elio portfolio that you're planning on developing, I think the prospective pipeline is across a wide array of geographies. Can you give us a sense of where the mid-term focus will be in terms of geographies? And then I think you guys typically reference 17% to 20% levered IRRs for greenfield development. Where do these projects fit in that spectrum?

Sachin Shah, Chief Executive Officer

Sure. Hi, Sean. It's Sachin. I'd start with just geographies. In the near- to mid-term, the bulk of their pipeline is in Iberia, the United States and parts of Latin America across different development stages, which is why we like it, because we have a presence in those markets. Obviously we think it's just logical to continue to expand broadly into Europe, further into Latin America, to Colombia, Brazil, even Chile longer term. And then the U.S., as a core market for us. So that's how I'd round out sort of mid-term priorities.

From a return perspective, remember they have operating, under-construction and pipeline assets. So you're absolutely right. On pipeline assets we target high-teens returns back in U.S. dollars and a nominal fee, depending on the region we're in you would translate it for the inflation differentials.

For operating assets and under-construction assets I'd say we would be targeting somewhere in that low double-digit type return. So if you look at the bulk of the portfolio in the near term it's really completing the under-construction assets, which we would say we'd do at low double-digit U.S. dollar returns, and then the pipeline we'd expect to be building it out at high-teens return. And then obviously a key part of our strategy in the business would be capital efficiency, and what I mean by that is making sure that we're recycling mature assets, selling down projects so that we rotate capital to better returning opportunities.

Sean Steuart, TD Securities

Okay. Thanks for that detail. Question for Wyatt. You guys referenced the up-financing activities at TerraForm and in Colombia. Can you give us a sense of line of sight you have on further mid-term potential up-financing?

Wyatt Hartley, Chief Financial Officer

Thanks, Sean. I think, generally the way to think about it is if you look back until kind of 2013, we've done around \$1 billion of up-financings in the business in that five-to-six-year period. If you look forward over the next five years, we think we have the same amount of debt capacity to be raised from an up-financing perspective. And it's really spread out throughout the world, for example in Brazil where we traditionally we haven't relied on the capital markets in that region. Lending issues in that market have gotten a lot better. Rates have come down significantly. Most banks in the country are lending around a 5%, 5.5% base rate. So that makes borrowing in that country a lot more economically prudent. And so, given that our portfolio there is largely unlevered, that creates an opportunity to raise \$300 million to \$400 million in that portfolio. But it really is of that kind of \$1 billion up-financings to look forward over the next five years. It really is spread around the world and it's all done at an investment-grade basis.

Sean Steuart, TD Securities

Sean Steuart: Okay, thanks Wyatt. I'll get back in the queue.

Operator

Thank you, and our next question comes from Rob Hope with Scotiabank. Your line is now open.

Robert Hope, Scotiabank

Morning everyone. First question is on X-Elio as well. I would say this is a bit of a step-out just given how large the development pipeline is included here. Does this signify that you're seeing better opportunities on the development side versus the acquisition side on the solar assets?

Sachin Shah, Chief Executive Officer

Hi Rob. Look, I think I would say not relative to M&A right now. I think what we're seeing on the development side is the last sort of 7 to 10 years on development really has been about capturing reducing construction costs as panel costs have declined on the solar side and turbine costs on the wind side have declined. So really investors or developers who are successful in the past were really just betting that overall costs would continue to decline and that decline would then work its way into their returns. Therefore they were bidding into projects at prices that were lower than you could otherwise build something at that moment in time, but that you were making the bet that build costs would decline by the time you had to actually build the project.

I think what we're seeing now is we're at a bit of an inflection point in the industry where costs are largely flat. In some instances it's these tariffs and reduced subsidies that overall cost structure is actually increasing on the margins and therefore development, looking forward, and I'd say for the next decade, takes a different skill set. It takes a strong operational focus so that you can operate the plants at the highest margins possible and the most efficiently. It takes a strong capital discipline, so it requires investors who have strong access to capital and who are disciplined about capital recycling or effectively bringing the lowest cost of capital to bear to the project. And I think therefore it plays more to our strengths as an investor, rather than make that bet that costs will decline by the time you develop.

So I just think the whole industry is at a bit of an inflection point. And I think, therefore, we see the next decade for us being more -- development being a more attractive part of our business. Wrapping that all up, though, I would say that if the last 10 years we've done sort of 10% of our growth in development, I'm not at all suggesting it's going to be 50%, but I do think it can go to 20% of our growth from development and 80% could be from M&A or 75%-25%, whatever split you want to ascribe in that range. And therefore I just think that investing in portfolios like X-Elio makes a lot of sense for us at this stage.

Robert Hope, Scotiabank

Alright, appreciate that colour. And then switching over to the M&A side, we've been seeing your liquidity move up through 2019 so far and we're seeing some assets for sale in Portugal and

Spain. Could you just give us an update on kind of opportunities and the state of the market on the M&A side?

Sachin Shah, Chief Executive Officer

Sure. It's still highly competitive, as always. There's lots of capital chasing deals. And I think our playbook hasn't changed. We tend to look for opportunities where we can bring our operational acumen to bear. There might be capital scarcity, where we see follow-on cash flow growth that we can deliver by optimizing the asset base. And I think in a low-rate environment where there is a lot of capital and a lot of investors who like the asset class, you just continue to be aggressive about being different and trying to do different types of transactions.

It doesn't mean we won't enter into auctions. It doesn't mean we won't sometimes win a highly competitive auction. But we have to have an angle that's unique. And I think the DG portfolio that we acquired through TerraForm is a good example of that. That was an auction. We were obviously the winner. But given the scale of the business we have today, the people we have, and our ability to reduce costs, secure new services with those existing customers, and to grow that platform, it gave us a competitive advantage to be able to be successful in that regard.

Robert Hope, Scotiabank

Okay, thank you for that. I'll hop back in the queue.

Operator

Thank you, and our next question comes from Nelson Ng with RBC Capital Markets. Your line is now open.

Nelson Ng, RBC Capital Markets

Great, thanks. Quick question on Colombia. So you mentioned that 30% of the contracts had a term greater than five years. Big picture, what's your short- and longer-term target for contract term? And I guess is there a balance in terms of do you have to give up a bit on price to get a longer contract?

Sachin Shah, Chief Executive Officer

Hi Nelson, this is Sachin. So I would say, look, when we bought the business, virtually every contract that was signed was one to two years in duration. And the long-term contract market did not exist at all. Our thesis at the time was that, particularly utilities and distribution companies would actually like the certainty of a long-duration contract because it was useful to the rate-base and it allowed them to plan their own cost structure over a very long period of time. We thought industrials might like it as well but we weren't 100% sure. What we did know, though, is that we had the skill set to bring it to the market and we had a good team there in Colombia who could execute on that strategy.

And I'd say now that we're three years in, we've seen that thesis play out. We've seen customers really like the certainty of longer-term contracts. It's helped that hydrology has been really volatile

in the country. It's helped that gas has not been readily available in the country, and it's helped that GDP continues to grow and power demand continues to grow. So I think all of those things have worked in our favor.

The economics I would say are not as black and white as you're suggesting. We signed many contracts two years ago, when there was a shortage of water, at significant premiums to the current market price because, candidly, people were nervous about the availability of water and demand growth and therefore were just looking for certainty.

I'd say but overall as a trend we value duration more than we value short-term profit, because with duration you can match the funding of the asset, you can get a lower cost of capital and you can drive a higher return to shareholders. And, therefore, we will always forego a little bit of income on the front-end if we can drive more capital efficiency and a better return. And you should just think of it that way on a long-term perspective.

Nelson Ng, RBC Capital Markets

Okay. So just to clarify, so over time you would expect that 30% of contracts greater than a five-year term to just gradually increase, but there's no kind of sweet spot in terms of where you want that 30% to be.

Sachin Shah, Chief Executive Officer

Yes. We are not proposing that we would increase it beyond 70%, and there's reasons for that in terms of just our own management of reservoirs and having some optionality available to deliver highly valued, storable power in a scarce market. So I think you should expect us not to go beyond 70%. But from that 30% we're at today we would comfortably move that up to 50% over time.

Nelson Ng, RBC Capital Markets

Okay. Got it. And then while we're still in South America, quick question on Brazil. You had three pretty good quarters in a row of I think slightly above-average generation. Could you just comment on the reservoir levels? I presume they're still below average, but have been improving. But can you just give a bit more color there?

Sachin Shah, Chief Executive Officer

Yes. Your observations are absolutely correct. Reservoir levels are still below the long-term average in the country just given the depth of the drought a couple years ago, but they're improving. Power demand has been largely flat, which has allowed the recovery to occur faster than if the economy was running at full tilt. And I'd say we're just seeing, as a result of those factors, seeing our overall generation continue to be at or above long-term average levels.

Nelson Ng, RBC Capital Markets

Okay, thanks. I'll get back in the queue.

Operator

Thank you, and our next question comes from Rupert Merer with National Bank Financial. Your line is now open.

Rupert Merer, National Bank Financial

Good morning. Looking at the M&A landscape and your strategy on M&A, are you looking at any assets that are outside of renewable energy today?

Sachin Shah, Chief Executive Officer

Not in any direct way. I'd say we are always paying attention to new technologies in what I would call the decarbonization space. And we're always looking at ways that we can help companies solve for decarbonization of their existing infrastructure in their business. But at the end of the day from a bulk investment perspective, today we continue to be focused on generation.

Rupert Merer, National Bank Financial

Great. Thanks. And then moving over to the wind results in the quarter, you had some softness in North American wind. And you mentioned that some of the softness was from maintenance outages in the U.S. Can you talk about the results in the quarter, how much of the weakness was from a low resource and how much was from outages that you referenced in the U.S.? And how much of that came from curtailments? I think we typically are seeing curtailments in Canada these days.

Wyatt Hartley, Chief Financial Officer

Thanks, Rupert. It's Wyatt here. So on the maintenance point, I think the reference here is towards our TerraForm portfolio where, as you likely know, they're transitioning to an O&M contract with GE. There were certain upgrades attached or transferred and so that was really isolated this quarter, putting that portfolio in place to then benefit that O&M contracts going forward, and the significant cost savings that it provides. And, as well, the significant production guarantees are being guaranteed by contract as well.

In terms of overall wind resource, I would say you've seen this across the sector. Generally, North American wind was down. But that really shows why we've been focused on diversifying our business, from a geographic perspective, diversifying outside of North America -- Europe, Asia, South America, as well as diversifying across technologies -- wind, storage, solar and hydro. And we think that by layering in that diversification of our portfolio, we're really well protected in it. And we really are a unique portfolio so that we are not exposed to one specific geography or technology.

Rupert Merer, National Bank Financial

And I assume you're seeing some curtailment on your Canadian assets. How do you account for that curtailment? Is the number that you present your actual generation? Or is that what you're compensated for with compensated curtailment?

Sachin Shah, Chief Executive Officer

We have not experienced material levels of curtailment in our Ontario fleet of wind assets this quarter.

Operator

Thank you, and our next question comes from Moses Sutton with Barclays. Your line is now open.

Moses Sutton, Barclays

Thanks for taking my questions and congrats on the strong quarter. Brazil's been mentioned but hydro performance in North America has been well above the LTA for three quarters now. We calculate 8% capacity factor higher than the LTA. Any visibility into expectations into 2H? Has some of this been due to how you've been managing operationally? Or is it more or exclusively due to just hydrology conditions?

Sachin Shah, Chief Executive Officer

Hey Moses, it's Sachin. I'd love to take credit, or our team would love to take credit, for operational changes. But the reality is we've been in hydro for 30 years and we've noticed for a long, long period of time is that above and below long-term average cycles are long. So you could have a couple of years of below, you could have a couple years of above. In particular, our assets that are fed through the Great Lakes, we've always seen longer dated cycles in those. It's why we make it a point not to adjust our guidance or in fact adjust our dividend based on variability of the resource. And I know we've had a good run recently with above-average generation, but just a few years ago we were below and people would get down about that.

So I would say we've been in this long enough to know that we plan our business on very long cycles. We measure water inflows, electricity generation, reservoir levels and precipitation in a really detailed way. And over the last 30 years we feel really strongly that our long-term average is a good reliable indicator of future earnings power for the business.

And, yes, on the margins obviously we manage the operations of around things like storage, reservoir levels, outflows and regulatory constraints, but in the end precipitation really has been in fact leading to higher than average generation in the last few years.

Moses Sutton, Barclays

That's very helpful. And then, any color on the strong Canada hydro pricing? Dollar per megawatt hours were up double digits year over year. And then looking toward the rest of the year, on a USD basis would you still expect high 60s per megawatt hour?

Sachin Shah, Chief Executive Officer

Yes. Look, some of that is because we were benefiting from contractual increases in PPAs in Canada at well above the inflation rate. So we had a 3% increase per year in contracts in Ontario on our hydro fleet. So, therefore, if you take that combined with currency movement, it's showing up as a meaningful increase in the per-megawatt-hour revenue that we're earning. But I would say for the most part our business in Canada is fully contracted. We don't have merchant exposure. We have contract term comfortably over the next 10 years in Canada, and therefore we don't expect to see a lot of variability in that market and any increases will come from contractual escalations there.

Moses Sutton, Barclays

That's very helpful. And last from me before I jump in the queue, can you quantify the above LTA performance in terms of its contribution to FFO? We calculate about \$30 million or so. I'm just wondering if you could throw a number out there.

Sachin Shah, Chief Executive Officer

I think maybe what we can do is Wyatt or somebody from our team will call you after the call with the exact pro rata number.

Moses Sutton, Barclays

That would be helpful. I'll jump in the queue.

Operator

Thank you, and our next question comes from Ben Pham with BMO. Your line is now open.

Ben Pham, BMO Capital Markets

Okay, thanks. Good morning. When you think about adjusting this long-term average -- I know last few years it's been below and now it's above and so there's a little bit of normalization to think about. And then you add in the acquisitions you've done and then this 500 to 800-megawatt pipeline. Aren't you directionally heading towards the upper end of your 6% to 11% growth rate the next five years?

Sachin Shah, Chief Executive Officer

So first of all I would say a few things. Just conceptually, the 6% to 11% has nothing to do with hydrology or variability of wind, solar or hydro. We always assume and plan for the long-term average. And if we're below then that's a miss in the year and if we're above, that's found money and we don't pay that. So I want to make sure that principle is clear.

And then as it relates to the 6% to 11%, where I think a year ago or two years ago we gave some visibility that the next four to five years we had very strong conviction that we would grow FFO per share at that rate in light of cost reductions, new contracts, development that we'd add. Absolutely, it's our job to keep replenishing that and build that out over time. So when you see us make investments like we made with X-Elio, the build-out that we've been doing with TerraForm, the PPAs that we're signing, cost reduction initiatives that we have in Latin America, the build-out of our business in India, it's absolutely with a view of growing or maintaining that 6% to 11% FFO growth rate as we make the investments, but then we have a business plan that we carry out to actually drive cash flow growth.

So what we want to make sure investors understand is that our objective is to invest capital accretively on day one, but more importantly, its to surface value for those investments over time because of the strong depth of our operational capabilities. And that is, when we find investments that allow us to both buy for value but also extract value over time, we tend to over-perform even our 12% to 15% return threshold.

So that's a long way of answering, yes, of course we're trying to continue to build out the runway of that 6% to 11% growth.

Ben Pham, BMO Capital Markets

Okay. Yes. I was just going through just in that plan you had said you only needed 1,000 megawatts of development and you're already moving 200 megawatts. And you add this 500 to 800 megawatts and that doesn't even consider acquisitions you've done and will be doing going forward. So, it just looks like you've really solidified that target that you highlighted last Investor Day.

On the payout ratio then, you also had a target of 80% FFO by 2022. You're pointing to 75% this year. And absolutely agree you've got to adjust for long-term average. But doesn't it look like you're heading ahead of plan on the payout ratio?

Sachin Shah, Chief Executive Officer

Yes. Just to be clear, we pointed to 85% annualized. I think the 75% came from somebody's research at Credit Suisse. I think it was Andrew that sort of came up with that said 75% this year. But we've put out 85% on an annualized basis. Yes, we are tracking ahead.

Look, on the payout ratio I think, and I've talked to many of you and Wyatt's talked to many of you, we have the strongest balance sheet in the sector, we have a significant amount of liquidity, very strong sponsor who owns a lot of shares in the company, and we have one of the most diverse sources of access to capital relative to any peer in the industry. So we've never been overly worried about payout ratio. Whether it was 98% or now 85%, we've always been comfortable that we had the financial flexibility to deliver. However, we got a lot of feedback, and

we respect that feedback, that we need to bring it down and we need to make sure that the investor community feels comfortable with it. So we've been bringing it down. And we've doing it simply by surfacing value in our existing assets. So we're at 85%. We're far ahead of the 2022 target that you pointed out. It's good. I think it's being reflected now. People are taking more interest in the stock, which is also good. And I think we see a really credible path to getting into the 70s within that same time period. Once we're in the 70s again I think combining that with all of the other things we've said, we have really, really strong firepower.

Wyatt Hartley, Chief Financial Officer

And Ben, just to clarify, we're at 75% payout on an FFO basis year-to-date. But we do have a seasonal business and so we've said on a, annualized basis, on a run-rate basis we're at ~85%.

Operator

Thank you, and our next question comes from Andrew Kuske with Credit Suisse. Your line is now open.

Andrew Kuske, Credit Suisse

Thank you, good morning. You've managed to buy or are in the process of buying a pretty big solar pipeline of opportunities. So if you should go ahead and actually start building some of the solar facilities, do you anticipate a bit of return enhancement versus some of the facilities you've built in the past such as wind and hydro that just, frankly, take longer to build? And would the solar, should you build them, you have a faster capital recycling trajectory? Is that true? Am I thinking about that the right way?

Sachin Shah, Chief Executive Officer

Yes, you're hitting the nail on the head. That's exactly right. First, there is being able to quickly build these things. The permit side of it -- the supply chain side of it is really deep today, so you can get converters, panels, connection infrastructure very quickly. And there's a bit of a glut on the supply side.

So I think we'll go back to a little bit of the earlier comments we made about what we bring to the partnership. We bring capital discipline and capital efficiency to the business that I think is valued by our partner and by the management team there. And just think that could be a really creative way to grow the business as opposed to betting on price to decrease.

Andrew Kuske, Credit Suisse

Would you care to quantify the return enhancement?

Sachin Shah, Chief Executive Officer

Sure. I mean, look, if we're building at U.S. dollars at anywhere from, let's just use our 12% to 15%. Let's assume we don't get every project right, and so we'll have some 18s and we'll have

some 10s. So let's say we're blending around that 12% to 15%, and that's in U.S. dollars. Typically today you're monetizing these same projects at 7% to 8% to the financial investor. So if you think about the opportunity for accretion -- and let's just say you're not monetizing 100% but you're monetizing partial interests, you know, that could be anywhere from 400 to 700 basis points of accretion for every dollar you invest in a very quick timeframe from your purchase meaning you can build and rotate very quickly. So it's a highly, highly accretive business if you run it well and if you have the expertise.

Andrew Kuske, Credit Suisse

That's helpful. And then maybe just a different track for the second question, and it really relates to the changes we saw in Alberta. And I'm being cognizant it's not even been a week since the government announced the intention of an energy-only market versus the prior government moving towards a capacity market. How do you think about that in relation to your underwriting of the portfolio purchase you have there and the investment you have with TransAlta.

Sachin Shah, Chief Executive Officer

Yes. Good question. Look, I think, and everyone can see this, you can see energy-only markets in North America. You can see capacity markets in North America. And, in the end, deregulated markets are meant to provide a price signal to incentivize new supply to come online. I think what we've seen traditionally is markets, particularly in the U.S. Northeast, where there is a strong capacity bid or a strong capacity auction really incentivize -- typically incentivize gas-fired generation. And when you have a strong energy market, you get a bit of a tilting towards more renewable investments because they don't qualify for capacity payments. You can't build a wind or solar farm today and bid it into a capacity auction. You get no rating credit for capacity.

So, I think you project that dynamic onto Alberta as just a base case working assumption. And from there say, okay, well what does that mean? It potentially means a bit more intermittency in that market as coal comes out, and it means that assets where you have embedded storage could have more underlying value. And then if you take that to our underwriting, why do we like that hydro portfolio? It has a significant storage capability and it has significant ability to provide stabilization services to the grid, all of which become valuable either in the near-term or in the long-term, as thermal comes out of the supply stack as renewables come in.

So, I don't want to speak on the company's behalf, but I think that's a framework from within which to think about it. And I think, from our perspective, for us it's a net positive.

Andrew Kuske, Credit Suisse

That's great, thank you.

Operator

(Operator Instructions) Our next question comes from Mark Jarvi with CIBC Capital Markets. Your line is now open.

Mark Jarvi, CIBC World Markets

Thanks, good morning. I want to go back to X-Elio and the development opportunities. How do you guys see about securing off-take and types of contracts with those development projects? And maybe talk about any expertise on origination that that team might bring that Brookfield doesn't have existing.

Sachin Shah, Chief Executive Officer

That's a great question. That is what we like about the management team. They have a long history of signing PPAs, of securing customer relationships and securing all of the permitting and interconnection requirements of solar development. And we have that in our organization, but I would say this management team is very strong, has shown a track record of being able to do it in a way that creates value on a simple buy-and-hold-to-maturity basis. And we think that we can obviously leverage that team and provide assistance where needed with our own existing operators and our access to capital that can only make the team's ability to surface value over the long term even better.

So we're really happy with the team. Our partner, KKR, has been in this investment for a number of years already so we feel like we have a like-minded partner from a value creation perspective. And we feel like we had a good ability to meet with both our partner and the management team's diligence, and get comfortable that their track record.

Mark Jarvi, CIBC World Markets

Okay. And then is there a belief that storage is going to be increasingly key to building out that solar pipeline and the type of contracts you'll be looking to procure?

Sachin Shah, Chief Executive Officer

No. We're not banking on batteries or storage as part of our underwriting thesis. Obviously, storage is needed around the world and then batteries are one option for storage. But they're still far away, they're still expensive, there still isn't a global leader when it comes to electricity battery production. You're starting to see the auto manufacturers get into this in a big way for their own businesses. But you're not seeing what we saw in wind and solar where manufacturing with specific focus on the electricity supply side starts to get created. So, I think we're not betting on it and it's not part of our thesis.

Mark Jarvi, CIBC World Markets

Okay. And maybe just pivoting to pumped storage in the U.S. And I know you guys have had some projects sort of quietly in the background. You haven't been too vocal about it. What do you see in terms of the current prospects for that, whether it's permitting or support by FERC? Or where do you see opportunities or is it still a bit of a ways off?

Sachin Shah, Chief Executive Officer

Yes. We have a handful of pumped storage sites, the bulk of which are in Massachusetts and the U.K. And we have some small-scale storage sites. We have some expansion opportunities in the U.S. Northeast, one of which is with our Bear Swamp facility that we're actually in the middle of pursuing currently and close to delivering -- and in Ontario, candidly.

Pumped storage is one of those where because of the cost to build, you need a PPA. And I'd say, at this stage, we still don't see a willingness from utilities or regulators to provide the necessary compensation to deliver it. And if you don't have a PPA, you need, either you need existing embedded infrastructure, like we have at Bear Swamp where it's just an expansion aligned with a capacity market like you have in New England that can make the economics work.

So, doing it in New England, doing it with Bear Swamp, but I would say the other projects are still on hold in anticipation of getting the right value.

Mark Jarvi, CIBC World Markets

Okay, thanks.

Operator

Thank you, and our next question comes from Frederic Bastien with Raymond James. Your line is now open.

Frederic Bastien, Raymond James

Good morning guys. Your pipeline of opportunity seems to have grown exponentially in the past 12 months, at least to me, which I guess is a good problem to have. But just wondering how you reconcile the opportunity to invest in certain assets versus others and, probably more importantly, the size of the equity check that you decide to write against these assets?

Sachin Shah, Chief Executive Officer

Thanks for the question. Yes. Look, I think your observations are bang on. We spent the last six or seven years trying to globalize the business and broaden out from a technology perspective so that we could be in exactly the position we're in today, which is having many, many opportunities to parse through, such that we can pick the best opportunities.

And to your question of what makes an opportunity the best, I'd say we start from a risk/reward perspective, opportunities where we see the highest potential return and the lowest risk. And risk is both from the development, from a geographic perspective, a currency perspective, and return is what we can surface from those assets by buying well and then operating well. And, that is our criteria.

We also have constraints, where even if we see very, very meaningful emerging market opportunities but that would skew the nature of the business, we're going to be very careful about

them. We've said to investors and to our analysts that we want to keep the bulk of our investments in North America and Europe and we want to have 25% to 30% of emerging market exposure and we want to have more countries in that emerging market bucket so we can select from there. We're not changing that strategy. So, that's the overlay when we look at how to pick investments. But in the end, it's about risk and reward and what we can deliver most accretively to our investors.

From an access-to-capital perspective, we've also prioritized keeping our balance sheet strong. Again, having a BBB+ balance sheet is unique. But it's not just a flag that we can wave. It also gives us tremendous financial flexibility. As Wyatt said earlier, we have ample up-financing opportunities in Brazil, in our various wind and solar farms where our financing structures are much shorter dated than our PPA term, and in our hydro portfolios where we have contracts rolling over and refinancings coming up where we can up-finance the business.

So, today, I would say we probably have close to \$1 billion of up-financing opportunities. We have significant asset recycling opportunities. And all of that is the function of keeping a strong balance sheet and having financial flexibility. So, I don't think the strategy is going to change and we'll just continue to grow the business.

Frederic Bastien, Raymond James

Thanks. And as of July 31, which technologies do you believe present BEP with the best risk/reward opportunities?

Sachin Shah, Chief Executive Officer

That's a good question. Look, when you can find hydro for value, it is still an incredibly stable source of cash flow that typically grows over time in value and it really supports the underlying intrinsic value of the business and the perpetual nature of it is a nice match to our perpetual equity that we issue.

Wind and solar, I'd say now that the costs have come down, are really good asset classes. They have a meaningful amount of growth in front of them. The technology has gotten a lot better. The costs are there now that they don't need subsidies, which was always something that we worried about. So, I'd say those three technologies, which are now considered bulk power technologies, are really strong. They underpin our growth.

And, we said at an Investor Day maybe a year ago that if the world moves to 25% renewables, in the markets where we're an investor it is somewhere in the range of \$5 trillion to \$6 trillion of growth opportunities for this asset class in this sector. We are a very, very small piece of that. We think we're a meaningful piece and we think our business has an incredible runway of growth for the next decade, just given what's happening on the planet from supply transitioning to renewables.

Frederic Bastien, Raymond James

Okay, thank you so much.

Sachin Shah, Chief Executive Officer

Thanks Frederic.

Operator

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

Sachin Shah, Chief Executive Officer

Okay. Well, thank you everyone again for your support and your continuing interest in the company. We wish you all a great balance of summer and we'll talk to you at the end of the third quarter for our next quarterly update. Thank you.

Operator

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