

Brookfield Renewable Partners (Q3 2020 Results) November 04, 2020
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Corporate Speakers:

- Connor Teskey; Brookfield Renewable Partners L.P.; CEO
- Wyatt Hartley; Brookfield Renewable Partners L.P.; CFO

Participants:

- Sean Steuart; TD Securities; Research Analyst
- Rupert Merer; National Bank Financial, Inc.; Analyst
- Mark Jarvi; CIBC World Markets, Inc.; Analyst
- Nelson Ng; RBC Capital Markets; Analyst
- Ben Pham; BMO Capital Markets; Analyst
- Andrew Kuske; Credit Suisse Group AG; Analyst
- Rob Hope; Scotiabank; Analyst
- Naji Baydoun; Industrial Alliance Securities Inc.; Analyst
- Matt Taylor; Tudor, Pickering, Holt & Co., LLC; Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the BEP Third Quarter 2020 Results Conference Call and Webcast.

(Operator Instructions)

Please be advised that today's conference is being recorded.

(Operator Instructions)

It is now my pleasure to introduce Chief Executive Officer, Connor Teskey.

Connor Teskey

Thank you, Operator. Good morning, everyone. Thank you for joining us for our third quarter 2020 conference call.

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

To kick off today's call, we would like to provide an outlook on the business and an update on our recent growth initiatives. After my remarks, Wyatt will provide an update on our operating results as well as an overview of our balance sheet and funding plan. Following our prepared remarks, we look forward to taking your questions and comments.

We continue to establish ourselves as the preeminent renewables franchise and are playing a significant role in assisting the world to achieve its decarbonization goals. Over the last 20 years, we have developed and scaled our renewable power platform to 38,000 megawatts of operating and development assets globally, and we have established deep expertise across all major renewables technologies.

Our focus continues to be on building a leading, differentiated business and fostering relationships with governments and businesses around the world to support their transition to a greener future.

Our strategy is simple and remains unchanged. We acquire for value. We finance our businesses on an investment-grade basis, and we enhance value of our assets through our operational capabilities. This strategy has proven to be effective over many years and through economic cycles.

Looking ahead, we believe that the global trend towards decarbonization will continue to accelerate, leading to increased adoption of renewable technologies. As this occurs, market conditions will increasingly favor investors such as ourselves with a diversified business that can drive value using both our global scale and our depth of operating expertise.

We are currently seeing increasing opportunities in our strategies of additionality and energy transition. This includes growing asset classes and technologies that leverage our existing knowledge such as distributed generation, green hydrogen and flexible capacity, and we expect this trend to continue moving forward.

We would now like to take a few minutes to talk through the broad range of transactions we executed recently, which we believe highlight the unique strengths and differentiated value of our business.

In total, we agreed to transactions, which will see us invest approximately \$900 million of equity or \$250 million net to BEP. Our largest transaction was the completion of the previously announced merger of TerraForm Power on an all-stock basis. This transaction was immediately cash accretive, expands our wind and solar business in North America and Europe, and further enhances our position as one of the largest publicly traded pure-play renewables businesses globally. Concurrent with that merger, we also completed the special distribution of Brookfield Renewable Corporation, which has led to increased demand and enhanced liquidity for our securities.

We also recently closed the acquisition of a 1,200-megawatt shovel-ready solar project in Brazil, one of the largest solar projects globally. This project is now over 75% contracted under long-term agreements, and we intend to leverage our local power marketing expertise to contract the remaining generation, and we also intend to use our global scale to drive down equipment procurement and operating costs to deliver value over time.

This week, we announced our intention to launch an offer to privatize Polenergia, a scale renewable business in Europe, in partnership with the current majority shareholder. The investment represents an opportunity to invest in a leading onshore wind platform and provides an attractive entry into the offshore wind sector in Europe through a 3,000-megawatt development pipeline, which we expect to construct over the next 5 to 7 years in partnership with an experienced offshore wind developer.

We also recently acquired a portfolio of loans from one of the largest non-bank financial companies in India for approximately \$200 million. The investment, which is secured by approximately 2.5 gigawatts of operating assets, is expected to earn returns in excess of 15% and further expands our presence in the region.

We also recently funded the final \$400 million tranche of the \$750 million convertible securities investment we agreed to make into TransAlta Corporation at the beginning of 2019. These convertible securities provide us with the option to convert into an interest in TransAlta's 813-megawatt portfolio of high-quality hydro facilities in Alberta. We can make this conversion at our own election between 2025 and 2028 based on a multiple of 13x the average annual EBITDA for the 3 years prior to conversion. The investment, which was the culmination of a multi-year

dialogue, enhances our strategic relationship with the company to help it in advancing its goal of transitioning to a low-carbon energy future.

Lastly, today, we announced a split of our units and shares on a 3 for 2 basis. While splitting the units and shares has no effect on the value of the company and costs us virtually nothing to do, it keeps the unit and share prices within a reasonable range for investors.

In conclusion, achievement of the world's decarbonization goals will require significant capital and operating expertise. This plays to our strengths. And as a result, we believe there will continue to be significant growth opportunities for our business for many years ahead.

With that, we'll turn the call over to Wyatt to discuss our operating results and financial position.

Wyatt Hartley

Thank you, Connor. Our business performed well in the quarter, supported by strong asset availability and contributions from organic growth and recent acquisitions, most notably the privatization of TerraForm Power. Additionally, we advanced key strategic priorities like the special distribution of Brookfield Renewable Corporation and maintained a robust balance sheet and access to capital.

During the quarter, we generated FFO of \$157 million or \$0.38 per unit, a 12% increase from the prior year. On a normalized basis, our results were up 28%.

Turning to our segment results. During the quarter, our hydroelectric business delivered FFO of \$113 million. While generation for the quarter was below the long-term average, driven by drier conditions across our fleet, year-to-date generation has been roughly in line with long-term average.

As we have consistently emphasized, we do not manage the business on under or over performance of generation relative to the long-term average in any given period. Instead, we remain focused on diversifying the business from both a geographic and technology perspective, which mitigates short-term exposure to resource volatility and regional or market disruptions.

Across our hydroelectric portfolio, we continue to focus on securing contracts that value the uniqueness of our fleet as a generator of dispatchable carbon-free electricity and ancillary services. Subsequent to the quarter end, we agreed to supply 100% renewable energy to one of the first planned industrial-scale green hydrogen production plant in North America and over 90% of JPMorgan's real estate operations in New York. These transactions demonstrate our ability to address diverse customer needs for renewable supply across both wholesale and retail energy markets. Additionally, in South America, we signed 25 contracts in the quarter with high-quality creditworthy counterparties for a total of almost 2,000-gigawatt hours per year, substantially contracting our recently acquired solar development assets in the region.

Next, our wind and solar businesses continue to generate stable revenues and benefit from the diversification of our fleet and highly contracted cash flows with long-duration power purchase agreements. During the quarter, these segments generated a combined \$126 million of FFO, representing a 70% increase over the prior year, as we benefited from contributions from acquisitions, including our increased ownership in TerraForm Power and 33-megawatt development of solar projects commissioned during the quarter.

Finally, we continue to advance our global development activities, including progressing our almost 2,700 megawatts of assets under construction diversified across distributed and utility-scale solar, wind, storage and hydro in 8 different countries. We're also progressing 1,100 megawatts of advanced-stage projects through final permitting and contracting. In total, we expect these projects to contribute over \$115 million in FFO annually.

Our financial position continues to be in excellent shape. We have \$3.3 billion of total available liquidity, and our investment-grade balance sheet has no material maturities over the next 5 years and approximately 90% of our financings are non-recourse to BEP.

During the quarter, we continued to take advantage of the low interest rate environment and executed on \$900 million of investment-grade financings, including a CAD 425 million 30-year corporate green bond issuance, which brings our total green financings to date to over \$4 billion and extends our average corporate debt duration to 14 years.

We also continue to execute on our capital recycling program of monetizing mature de-risked assets. During the quarter, we closed the sale of the final project in our South African portfolio. Since acquiring these assets as part of a broader global transaction in 2017, we have returned almost \$200 million of capital, representing over 2.5x our initial investment. Following the quarter, we also executed the sale of a 40% equity interest in an 850-megawatt wind portfolio in the U.S. and 47 megawatts of operating wind assets in Ireland for total proceeds of over \$400 million.

Given the robust market environment for de-risked renewable assets, we are increasingly seeing opportunities to monetize our mature assets where we have completed our business plan at attractive values. We will only do so when we feel the value of being offered is greater than that we would gain by holding the assets, and only to the extent we expect to recycle that capital into more attractive investment opportunities over time.

Looking ahead, we continue to focus on growing our business and executing on our key operational priorities, including maintaining a robust balance sheet, maintaining access to diverse sources of capital and servicing value through enhanced cash flows from our existing portfolio. We believe that we have established ourselves as one of the few entities with the scale, track record and global capabilities to partner with governments and businesses to help them achieve their goal of greening the global electricity grid, while earning a strong total return of 12% to 15% for our investors over the long term.

That concludes our formal remarks for today's call. Thank you for joining us this morning. And with that, I'll pass it back to our operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from the line of Sean Steuart with TD Securities.

Sean Steuart

A few questions on the Polenergia transaction. And I guess more with respect to the development pipeline than the existing asset base. I guess, first Connor, management had previously articulated a cautious approach to offshore wind. Can you give us some detail on how that thinking has evolved? And when you look at the 3,000 megawatts, how do you envision the returns for those development projects comparing to something like the solar project in Brazil?

Connor Teskey

Certainly. Thanks, Sean. So we have been looking for an entry point into offshore for several years, but we've obviously been very patient and disciplined and waiting for call it, the right value entry point and an opportunity where we could be differentiated as an investor. In the situation with Polenergia here, the incumbent shareholder, the majority shareholder was looking for a partner such as Brookfield Renewable, who could, one, bring global renewables expertise but also provide the required capital to build out a very sizable development pipeline in the business.

In the past, when we've talked about making an entry into offshore, what we've been very focused on is doing so in a situation where we would earn attractive returns without having to make a long-term bet on high power prices in the back end. The Polish support regime for offshore wind is currently being finalized. We expect it to be finalized in the early part of next year. But we are expecting the contracts to be a long-term duration that it certainly fit the profile we are looking for. And to your question about returns, this is development and construction, so we expect them to generate a high-teen type return on the build-out of these assets.

Sean Steuart

Okay. And just a couple of follow-ups. The 3,000 megawatts, is that all in the Baltic or is there anything elsewhere in Europe?

Connor Teskey

No. The full pipeline is in Northern Europe. And I think what's important to recognize about the pipeline is it's across 3 projects. Two of those projects, which represent approximately half the pipeline are 2 of the most advanced projects in the country, and we would expect to be the first ones built out in the region.

Sean Steuart

Okay. And the ownership breakdown for the portion that's just Brookfield is a typical 70%, 30% equity to BEP? Is that how we should think about it?

Connor Teskey

Certainly. So, this will be made through our fund. So, we would expect to be just a little bit north of 25% of the investment net to BEP.

Operator

Your next question comes from the line of Rupert Merer with National Bank.

Rupert Merer

Looking at the Brazilian solar development project, you said you've got 75% contracted now. How well can you leverage your existing operations in Brazil to improve the returns on the -- in the contract profile for that asset?

Connor Teskey

Thanks, Rupert. I think it's important to look at not just Hubble, but what we've done across the region. In the last, call it, 6 to 12 months, we've acquired a number of ready-to-build assets in Brazil. One of them, a project called Aratinga. We are now over 90% contracted. And then on Hubble, on Phase 1, we are now 100% contracted, expecting to start construction later this year. And we expect to contract the remainder of Phase II before starting construction in the near future.

I think it's important to recognize that our ability to buy these projects before they are fully contracted, really differentiates us in the region. We have a significant power marketing and contracting expertise, and we have hundreds of counterparties that come to us for power in the region. And that's how we are able to buy these projects that are not yet contracted and de-risk them even before we start construction.

Our contracting activities really accelerated in the quarter, and we're very pleased with the pace of contracting and the rates that we're seeing. We expect that to continue on our current projects, and it also gives us confidence to continue to invest in this strategy going forward.

Rupert Merer

So, your contracts on that development project, are they isolated only to that project and the energy provided by the solar assets? Or are you able to provide some capacity leveraging your other operations in Brazil?

Connor Teskey

So we contract on a project-by-project basis in general. And what we have seen, obviously, depending on our underwriting and the cost of building it out, we have different price objectives in order to hit our underwriting returns. And what we're excited about is the contracts we've signed in recent quarters have all been at or above those rates that we underwrote when making the investments.

Rupert Merer

All right. Great. And then following up on the investment into the Polish offshore market. How far along are you in discussions with other development partners and bringing on board an entity that has experience in building offshore?

Connor Teskey

Sure. So Polenergia, the company that we have announced our intention to launch a tender offer for, which that offer will be launched later this week. They hold their JV development pipeline in a 50-50 JV with Equinor, who is one of the largest and most experienced developers and operators of offshore already. So as we -- as a shareholder of Polenergia look to build out that pipeline, we'll be doing it in concert with a very experienced developer and operator.

Rupert Merer

Okay. Great. And so you mentioned that BEP would have a 25% stake in Brookfield's investment. How much of an ownership stake do you anticipate Brookfield will have with these partners?

Connor Teskey

Rupert, I'm not sure I fully understand your question. But the way it will work is the entirety of our investment in Polenergia will be made through our funds. And Brookfield Renewable is a slightly north of 25% investor in that fund. So Brookfield Renewable will take down a little bit north of 25% of the entirety of the investment in Polenergia.

Rupert Merer

All right. I'll leave it there. Congratulations on your new appointment, Connor.

Operator

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

Mark Jarvi

Yes, going back to the offshore opportunity on Polenergia, maybe I missed it, but can you just walk through the path to securing contracts or sort of the strategy there in terms of the revenue offtake for the different projects that you're looking to develop?

Connor Teskey

Yes, sure. So Poland has announced a very ambitious renewables target where they are looking to develop up to 11 gigawatts of offshore wind over the next decade. The expectation there is 6 gigawatts, a little bit more than half, will be offered under CFDs, long-term CFDs. And then the remaining 5 gigawatts, which will be the ones built later in a decade, will be done through competitive auction. Well, the form of that subsidy is still being finalized and expected to be announced early next year. We expect it to be quite long term in nature and at modest to reasonable price point. And given that 2 of Polenergia's 3 projects are 2 of the most advanced projects in the region, we are hopeful that they would be near the top of the queue for those first tranche of CFDs.

Mark Jarvi

Okay. And from my quick scan of their asset mix, they also own some other nongenerating assets, some distribution assets. Is that something you'd be willing to hold on to? Or would there be sort of a divestment thesis to this stake here?

Connor Teskey

Yes, sure. So when you look at Polenergia today, they're more than 90% renewables and then with the build-out of their offshore wind. That percentage is going to go up north of 95%. So this is almost a pure-play renewables company. They do have a couple of other very modest businesses, a trading business that supports their generation platform, a very small distribution business. And they also have a small CHP business, but it's interesting to us because they have announced a cooperation agreement with Siemens to see if those can be converted to hydrogen. So at this point, we're comfortable with all those assets, but I think it's important to recognize that they make up an absolute tiny portion of the business versus the renewable generation platform, which we expect will be north of 95% of cash flow once the offshore is built out.

Mark Jarvi

Okay. That makes sense. And then my last question is just around the disclosure on the loans in India. Maybe you can just tell us a little bit about the types of assets that those are -- the loans are tied to and sort of what the end game might be in terms of taking on those loans?

Connor Teskey

Sure. So, there's nothing too unique about what we have done here. In India right now, there is a period of capital scarcity and certain lenders are looking to shore up their balance sheets. One of those NBFCs was looking to sell a portfolio of renewables loans that they had on their books. We thought this was a really attractive investment for us because the underlying renewables companies are ones that we knew very, very well and ones that we have worked with or diligenced in the past.

And I would say the structure of the investment is simply indicative of one, our flexibility and two, us staying true to our value investing principles. Through this structure, we think we can generate kind of mid- to high-teens U.S. dollar returns. But obviously, we've entered higher in the capital stack than we normally would through an equity investment. So really a fantastic proposition from a risk reward perspective.

In terms of what it means for us in India, we continue to view it as a significant growth market. The government has very, very ambitious renewables targets, and we'll continue to look to be flexible and try and gain more exposure to the region.

Mark Jarvi

And when you talk about the 15% return potential, that's just by buying the bonds at a discounted par? Or is there some other angle to the opportunity to create the returns there?

Connor Teskey

Yes, sure. So it gives us exposure to these underlying companies. We really view ourselves as a partner with these companies. If they're able to pay us back, we still think we would get close to those 15% returns. But obviously, it puts us in a position to partner with those underlying companies to either maybe facilitate future growth from them or it needed to potentially acquire assets. But we're now engaged with those counterparties and being viewed as a constructive partner.

Operator

And our next question comes from the line of Nelson Ng with RBC Capital Markets.

Nelson Ng

Great. And Connor, again, congratulations on your new role. Just a quick follow-up on Mark's question in terms of the Indian loans. So, is it fair to say that like at least a portion of that debt is distressed to some degree, and you're looking to potentially own some of the underlying assets? Or take a stake in some of those companies that you've made the loans to? Is that a fair statement?

Connor Teskey

Yes. Nelson, it's a great question. And maybe we'd look at it slightly differently. The loans were made available to us. We were able to make an investment not because of distress in the underlying renewables companies necessarily but distress in the lending sector in India. And that allowed us to acquire the loans at an attractive value.

The underlying renewables companies, these are some of the leading renewable companies in the region. We expect on some of these loans, they'll pay us back. But what this really does is it puts us in a position at the table with these companies to help them going forward. These underlying companies are leading developers with significant growth plans. They're going to continue to need capital going forward, not necessarily because they're distressed, but rather because they have ambitious growth plans in a high-growth renewables region.

So, I think the only way we would characterize it is it wasn't distressed in the underlying companies. It was more distressed in the lending sector that gave us the opportunity.

Nelson Ng

Okay. That makes sense. And then just in terms of the Polenergia privatization. I'm not sure whether I'm seeing it right, but is the offer price not really as much of a premium to the current share price? Or does the current share price already reflects -- or like does it already reflect a privatization in the price? Can you just give a bit of color in terms of the process?

Connor Teskey

Yes, sure. So absolutely correct. But I'm sure what you're looking at is the offer price versus the spot pricing yesterday or last week. It's important to recognize that the share price for the company is up 75% or 80% on the year already. And it is a very, very thinly traded stock. We believe the offer we are putting on the table is very attractive and offers an all-cash liquidity event for some of the minority shareholders to get out. But if you look at the share price on a premium to the share price earlier in the year or 60- or 90-day VWAPs, the premium is quite significant.

Nelson Ng

Okay. And then just one last question. You mentioned the sale of 47 megawatts of wind in Ireland. I'm not sure if the reports I'm seeing are correct, but is there an ongoing process in Ireland to divest additional assets there?

Connor Teskey

Certainly. So, Wyatt has mentioned that asset recycling -- we've been saying it for several quarters now -- is really core to our strategy. And given our increased growth plans will become a more important part of our funding plan going forward. What we've been doing out of our Irish business for, call it, the last 12 or 18 months is selling some of the highly contracted, long-term contracted assets that are very, very attractive to low cost of capital financial investors. The 47 megawatts that we announced was part of that program. We are in the process, the early stages of launching of process to sell the remainder of our Irish platform. That is something that we expect would conclude at some point in 2021.

Operator

And our next question comes from the line of Ben Pham with BMO Capital Markets.

Ben Pham

I wanted to pick your brain on a couple of long-term trends. I know you've been pretty good with that in the past, you mentioned some of the more positive trends in solar on a last call. So, my question really is, I'm curious, how do you see the counterparties for renewable power assets changing or transitioning over time? You mentioned some of the corporate PPAs that you're engaging in. And then in turn, how do you kind of think about contract duration? You see our

state, 10 years from now we're going to be at 15 years for the industry or some different number? And then to that, like where do you see the spot prices going as well?

Connor Teskey

Certainly. So, there is no doubt around the world that corporates are increasingly becoming active players in setting their own decarbonization goals and looking to be major procurers of green power. And that is a significant benefit for our business. And what you are seeing is a long-term shift here as the offtakes of renewable power will less and less be governments through the form of government subsidies that are winding down and increasingly will be utilities, energy companies or other corporates that we are really seeing accelerate in terms of their appetite of procuring green energy on a long-term basis.

We think we're still in the early days of that shift, and it has a long way to run as corporates ramp up the amount of green energy that they look to contract for their business.

In terms of duration, we've been in an environment for a number of years where government contract durations have been shortening. And interestingly enough, corporate contract durations are lengthening. So, I wouldn't suggest at this point that we see any major shift in the near term in terms of the duration of those contracts. Certainly nothing that we would report today.

When we look at some of our regions around the world, Brazil is something we've talked about already on this call. They continue to contract for 15 to 20 years with corporate counterparties in the region.

And then lastly, I believe the final part of your question was around power prices. It's important to think about power prices in the context of: One, what does it cost to produce the power; and then two, what is the price for the power that can be achieved. Wind and solar prices continue to decline, the cost of producing that power. They've been declining for several years, but the trajectory is still downwards even if they are plateauing. And wind and solar now in most major developed markets around the world is the lowest cost form of power generation.

We would expect that this does create an environment where power prices may be on the lower side. But what's important to realize is you can still make very significant margin from either in-place businesses or by building new wind and solar because the cost of that construction is declining as well.

Ben Pham

All right. That's great. I just want to ask Wyatt just quickly, the next, the 12 months through 2021, you talked about refinancing in more recently. Can you quantify the refinancing opportunity you see if any and also the up-financing opportunity as well?

Wyatt Hartley

Yes. Thanks, Ben. So, what I'd say, look, we're in a really good position from a balance sheet perspective. We have no material maturities over the remainder of 2021. And then even in 2022 and 2023, we have some very modest maturities. We are already actively working on refinancing those. As a result of the low interest rate environment, our expectation is that we will refinance those at lower rates.

And as a result, in a lot of cases, we'll actually generate some financings given what that -- the lower rates mean on a coverage basis and all while maintaining our strong investment-grade rating. Incrementally across our fleet, both our hydro fleet both in North America and Brazil, we have a number of up-financing opportunities that we can execute at that will generate meaningful proceeds that can be used. And I should say that meaningful proceeds is done again at investment-grade rating. And so those proceeds could then be used to put into growth.

And our perspective on completing those will really depend on what is our investment pipeline. We're targeting \$800 million to \$1 billion of growth -- of equity growth -- equity capital into growth annually. And so between the asset sales we have, between those up-financing capabilities, between the issuance of preferred equity, perpetual preferred equity, which are a very attractive market we issue in right now as well as the corporate debt that we regularly issue.

Between those 4 sources, we feel we can very comfortably fund that growth. And so how we balance on those 4 levers will be dependent on kind of the various markets in those regions. But we feel that the robustness and the diversity of funding source puts us in a really good position to access all of those markets.

Operator

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

Andrew Kuske

I guess, it's a question for Connor to start with. And it's really just your degree of confidence in the pipeline that you've got. And I ask the question in part because have you secured turbines in advance as part of your construction program? And is that part of your supply chain issues is just driving the cost down because you are a large global player with scale in multiple markets around the world?

Connor Teskey

Yes, sure. Great question, Andrew. So, when we look at our development pipeline, it's at different stages in different regions around the world. And obviously, then our procurement of whether it be solar panels on the solar side or turbines on the wind side is happening at different times. What we are doing as an organization as a cost saving initiative is we are centralizing those procurement functions such that no matter where in the world we are acquiring panels or where in the world we are acquiring turbines, we are doing it with the strength and scale of our entire global platform, and that really helps us in 2 different ways.

One is it ensures that we get the best pricing simply due to the economies of scale; but two, it allows us to build very large strong relationships with the Tier 1 equipment manufacturers. And therefore, we obviously have good working relationships with those companies to ensure that we can get the appropriate parts in the regions we need them at the time we need them.

So, the scale of our business and our programs to procure centrally are really paying dividends: One, on a cost perspective; but two, in ensuring that we can deliver our projects kind of on time and on budget.

Andrew Kuske

Okay. Maybe just as a follow-up and a clarification, but you haven't secured, say, 500 gigawatts of onshore wind turbines for the next -- in each of the next 5 years?

Connor Teskey

No. We wouldn't look to preemptively secure that much equipment ahead of time. We would separate out just as a clarification point. One thing we've been doing in our operating business around the world is -- and this has been for a couple of years now is, we have a very strong spare parts program to ensure that in all of our regions around the world, if for whatever reason, equipment needs to be replaced or if something breaks, we can do that using our local operating teams in all of our regions around the world to ensure that our project availability remains at an industry-leading high. But when you talk about development and procuring, we wouldn't do that on a bulk-scale years in advance. We would do that on a project-by-project basis, but that's because we feel very secure with the relationships we have with large equipment manufacturers.

Andrew Kuske

Okay. That's very helpful. And then if I may, the second question really just turns on Poland. And I believe group-wide, it's basically a new market. I don't believe there's any substantial operations of any sort across the entire group. And it's a bit of a hybrid market. How do you think about it? Is it more a developed market to you? Or is it more of an emerging market because it does wind up in the sort of in between category for many people?

Connor Teskey

Definitely. So great question. And when we look at Poland, we assess it the same way we would assess any geography around the world. And we see Poland as an EU country with a stable currency, very strong historical growth and equally strong growth prospects going forward, low levels of national debt and probably most importantly, a government that is supportive of growing in renewables to help the country deliver on its EU mandates.

To your point, this is a market where we don't have operations at this point, but we're very excited to be partnering with a strong local partner who's been the majority shareholder of this business for several years knows the business well and is local to the market. So, we think it's a great entry point into a new market with strong growth prospects, but we're doing it with the benefits of a strong local partner.

Operator

And our next question comes from the line of Rob Hope with Scotiabank.

Rob Hope

Congratulations on the new appointment. Two long-term questions here. Just when you take a look at the potential for offshore and Brookfield, how do you think this will play out? Do you want to get a sense of how the technology and the permitting process will work here before you expanded out to potential other jurisdictions? Or do you think you have an understanding of all the nuts and bolts so far that if the opportunity does arrive with a good contracting structure, you could move forward in other jurisdictions?

Connor Teskey

Thanks, Rob. It's a great question. I would say it's certainly more the latter than the former. While we have been -- we have not entered the offshore space until now, we have been tracking it for several years. It's obviously a very meaningful and growing renewables technology. And we feel that particularly in Europe, where there is the highest degree of offshore globally, the industry and the technology has been largely de-risked and is very mature.

Our pace of entry into offshore has not been dictated by the -- our knowledge of the technology but simply rather us staying true to, call it, our value investing principles and wanting to ensure that we are entering the technology at an attractive point on the risk/reward spectrum. And we think we now have that through the Polenergia acquisition.

If we see other opportunities that are attractive on in offshore wind, we would happily invest in them in other regions as well. But it really comes down to the risk/reward proposition of the investment. We're very comfortable with the technology.

Rob Hope

Okay. Perfect. And then maybe a little bit broader and a little bit longer term with some of the changes within the Brookfield infrastructure -- Brookfield organization, including kind of the bringing on of Mr. Carney, longer term, could you see BEP not only invest into like BIF IV or BIF V but other specialized ESG funds or specialized renewable funds longer term? And how are we on that path currently?

Connor Teskey

Certainly. So, it's a great question. And one thing we've been focused on for several years, Sachin has been doing it is, we are constantly looking to broaden our business. We have a very long track record and a leadership position in wind, solar and hydro in most major renewables markets around the world. But increasingly, we are seeing opportunities that leverage our knowledge of renewables and leverage our knowledge of clean energy markets to capture this accelerating theme of decarbonization.

I would say we are going to look to broaden our business to invest in those areas. But the important thing to focus on there is these aren't large steps outside of what we are currently doing. There are some major trends around decarbonization and decentralized power that we are already participating in today. We have one of the largest DG businesses in the United States. We see that as a view around energy transition.

Obviously, this quarter, we announced the agreement with Plug Power, which will give us great visibility into the production of green hydrogen. That's obviously a technology that remains in a very nascent stage today. But now as a result of that agreement, we have a great vantage point to see how it progresses going forward, and we'll be well positioned to invest if at some point in the future, it becomes commercially cost effective on a broader scale.

So, in summary, absolutely, we will look to broaden our business, but these aren't large steps from what we're doing today. They're very tangential and I would say, incremental to the business we have that we've been broadening for a long period of time, and we'll continue to broaden in the future.

Operator

Your next question comes from the line of Naji Baydoun with Industrial Alliance.

Naji Baydoun

Just a couple of follow-up questions on the Poland offshore wind projects. I think, the press release from Polenergia stated EUR 150 million of equity injections that are going to be made over the next 3 years. But beyond those, what are some of the other capital requirements that you expect to make to develop the offshore wind projects in the Baltic?

Connor Teskey

Very good. So as part of our partnership here, the transaction structure is we will launch a tender offer to privatize the public float in partnership with the incumbent major shareholder. Brookfield has also committed as part of the transaction to invest an additional EUR 150 million to build out the company's in-place construction pipeline of onshore wind and solar that already exist in the business.

In addition to that, there will be the opportunity to invest in the build-out of the offshore pipeline as well. So, the reason why we are so attracted to this investment today is, obviously, there's a great portfolio of in-place assets that is cash generative. There is a very visible pipeline for growth, both onshore and offshore. And together with our partner, we'll invest to build that out. And Brookfield looks to expect to put at least our share, if not more of that capital in on a go-forward basis.

Naji Baydoun

Okay. And when you say maybe even more than your share, is the -- do you have a view of once the projects are completed of either divesting your ownership or maybe it sounds like the flip side of that even acquire Equinor's stake in the project?

Connor Teskey

We wouldn't want to speculate. That's obviously several years down the road. Our focus right now and our business plan with the partner is simply building out the very large construction pipeline that they have in front of them. We think our investment holds together very well on a buy

-- or sorry, a build and hold business plan. And therefore, our focus with the partner will simply be ensuring that the business has the right amount of capital to take advantage of the growth prospects that has in front of us.

Naji Baydoun

Okay. Congratulations, Connor on your new role.

Connor Teskey

Thank you.

Operator

And our next question comes from the line of Matt Taylor with Tudor, Pickering.

Matt Taylor

Just following up on the shift from contracting to more corporates. Are you seeing a need from those customers, as corporate customers, to want to directly connecting to your renewables and thinking about distributed generation or at this stage in the game, are corporate's comfortable just procuring the green energy as an offset to their power needs. And if so, do you see this shifting over time where they want that direct connectivity?

Connor Teskey

Thanks, Matt. It's a great question. And really, what we're seeing here is quite a major shift. If you go back 5 or 7 years, the main stakeholders that were pushing the world's decarbonization agenda were governments. And now increasingly, corporations around the world are setting their own voluntary targets for procuring green power and decarbonizing their own businesses. And that is leading for that shift that we've spoken about to more corporate contracts going forward.

I would say the ways that corporates are doing that are quite broad-based. Some corporates are looking for unique 24/7 green power that is very tough to supply purely with wind and solar. And we're looking to support those corporates by using our hydro portfolio that has a differentiated ability to provide continuous power throughout the day.

Other corporates are looking for distributed generation, as you said, where they can seek to disconnect from the local grid, where they might be procuring power from centrally located thermal generation to on-site renewables where they can perhaps get a discount to retail prices.

And then the third aspect is this concept of additionality that we keep seeing in our business where increasingly, we are seeing the most advanced corporates, not only looking to procure green power, but looking to procure green power from new development assets. And that's where our 18,000-megawatt development pipeline really partners well with our power contracting and commercial expertise around the world to give corporates that green power while at the same time bringing new renewables capacity onto the grid. And that's where we really are seeing the greatest change in the market in the last, call it, months and years.

Operator

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

Connor Teskey

Perfect. As always, we want to thank everyone for your continued support. We look forward to updating you at the end of the year with our full year 2020 results. Thank you and have a good day.

Operator

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