REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q4 2021 Brookfield Renewable Corp and Brookfield Renewable Partners LP Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2022 / 2:00PM GMT

CORPORATE PARTICIPANTS

Connor David Teskey *Brookfield Renewable Corporation - CEO*
Wyatt Hartley *Brookfield Renewable Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Andrew M. Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research and Global Co-ordinator for Infrastructure Research*
Benjamin Pham *BMO Capital Markets Equity Research - Analyst*
Frederic Bastien *Raymond James Ltd., Research Division - MD & Equity Research Analyst*
Mark Thomas Jarvi *CIBC Capital Markets, Research Division - Director of Institutional Equity Research*
Mark Wesley Strouse *JPMorgan Chase & Co, Research Division - Alternative Energy and Applied & Emerging Technologies Analyst*
Matthew Taylor *Tudor, Pickering, Holt & Co., LLC - Director of Midstream Research*
Naji Baydoun *Industrial Alliance Securities Inc., Research Division - Senior Equity Research Analyst*
Nelson Ng *RBC Capital Markets, Research Division - Analyst*
Robert Hope *Scotiabank Global Banking and Markets, Research Division - Analyst*
Rupert M. Merer *National Bank Financial, Inc., Research Division - MD and Research Analyst*
Sean Steuart *TD Securities Equity Research - Research Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the BEP Fourth Quarter 2021 Results Conference Call and Webcast. (Operator Instructions). Please be advised today's conference may be recorded. (Operator Instructions)

I'd now like to hand the conference over to Connor Teskey, Chief Executive Officer. Please go ahead.

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Thank you, operator. Good morning, everyone, and thank you for joining us for our Fourth Quarter 2021 Conference Call. Before we begin, we would like to remind you that a copy of our news release, investor supplement and letter to unitholders can be found on our website. We also would like to remind you that we may make forward-looking statements on this call. These statements are subject to known and unknown risks, and our future results may differ materially. For more information, you are encouraged to review our regulatory filings available on SEDAR, EDGAR and on our website. To kick off today's call, we will provide an update on the business and our recent growth initiatives. After those remarks, Wyatt will provide an overview of our operating results as well as our balance sheet and liquidity. Following those prepared remarks, we look forward to taking your questions.

2021 was another very strong year for our business. We achieved record FFO per unit, continuing our track record of double-digit annual growth for over a decade. We agreed to deploy capital in line with our targets, growing in every major market we operate, and had a record year for development. Today, we have over 15,000 megawatts of capacity under construction or in late-stage development and now have an overall global development pipeline of approximately 62,000 megawatts. We also maintained a strong balance sheet and executed over $13 billion of financings, generating $1.5 billion in proceeds from upfinancings net to Brookfield Renewable, bolstering our liquidity, enhancing our self-funding business model and minimizing our exposure to increasing interest rates or near-term maturities.

Looking ahead, decarbonization is now firmly established as an objective of the global economy. As one of the preeminent clean energy companies with a global presence, deep operating capabilities and scale, we are uniquely positioned to execute on the most attractive decarbonization investment opportunities around the world. As we enter 2022, we continue to be one of the largest owners, operators and builders of clean energy globally with best-in-class growth prospects and inflation-linked cash flows that are supported by double-digit years of weighted average contract life. Given our strong financial and operating performance, robust liquidity and positive outlook for the business, we are pleased to announce a 5% increase to our distribution to $1.28 per share on an annualized basis. This is the 11th consecutive year of at least 5% distribution growth since 2011 when Brookfield Renewable was spun out.

Some of the highlights for the year include: we generated FFO of $934 million or $1.45 per unit, a 10% increase from 2020 or a 17% increase on a normalized basis. This resulted from the stability of our high-quality inflation-linked contracted cash flows, organic growth and commercial initiatives and contributions from acquisitions. We advanced key commercial priorities, securing contracts to deliver

11,000 gigawatt hours of clean energy annually, including 6,000 hours to corporate offtakers, and we also completed saving initiatives that have delivered $20 million of savings on an annualized basis.

We commissioned approximately 1,000 megawatts of new capacity and have progressed over 15,000 megawatts through construction and advanced stage development. We also agreed to invest approximately $4.3 billion or approximately $1.1 billion net to Brookfield Renewable of growth capital across various transactions in every major market and technology we operate in. We further diversified our business with our first investment in offshore wind, and we expanded both our hydroelectric and battery storage portfolios. And finally, we maintained a robust investment-grade balance sheet and ended the year with over $4 billion of available liquidity and access to significant sovereign and institutional capital that we can invest alongside of, which provides enhanced flexibility for future growth.

Next we would like to spend a few minutes providing a spotlight on 3 important topics. First, the outlook for renewable energy, inflation and global supply chains; second, our recent acquisition to acquire Urban Grid; and third, the strong growth in our distributed generation business. First off, we want to reiterate our enthusiasm about the macroeconomic trends we are seeing for global clean energy supermajors. It is projected that up to $5 trillion of annual investment will need to be spent over the next 30 years to support the decarbonization of energy systems. In addition, clean energy and electrification are the first largest and most impactful steps to achieving net zero. Why? Put simply, because roughly three quarters of global emissions can be attributed back to power generation in the energy sector. This will lead to an unprecedented build-out of wind, solar and other clean energy solutions over the next decade; the growth of which will dramatically outpace what we have seen over the past 10 years.

And as mentioned earlier, we believe we are uniquely positioned to execute on not only the most attractive, but also the largest decarbonization investment opportunities in this environment. Secondly, over the past couple of years, there has been a lot of discussion about global supply chains and inflation. There is no doubt that both have impacted our broader industry. However, our globally diversified business and strong relationship with Tier 1 suppliers mean we can manage supply chain disruptions such that they have not had any material impact on our business. Our scale and centralized procurement function help us ensure that we are a priority client for solar panel and wind turbine manufacturers and give us operational flexibility. We have had to adjust the development programs for a small number of select assets, but we have held the commercialization date of all of our projects and none of those adjustments have had a material impact on our business or the returns of those investments. We believe many of these supply chain challenges are transitory. However, we are confident that we are uniquely positioned to manage any challenges going forward to the extent that they persist.

Now moving to inflation. Whether we are in a period of transitory or sustained inflation, our business performs well in either environment. First, in terms of our operating assets, we foresee inflation as a tailwind to our business. This is due to the fact that a significant portion of our business has inflation indexation. In fact, today, over 70% of our contracts are indexed to inflation. Further, we have a largely fixed cost structure with limited exposure to rising labor costs and capital expenditures. This, together with the fact that we have effectively no direct exposure to rising interest rates, means the compounding effect of inflating revenues should drive operating leverage across our platform.

Second, in our under construction assets, we have always focused on avoiding basis risk by locking in major CapEx components at the same time we signed PPAs for projects, so we have matched our costs and revenues and locked in at our attractive returns. Finally, for our future development pipeline, to the extent there is inflation that impacts project costs, for the most part, we have seen a willingness from buyers of clean energy to share these costs through PPA price as the benefits that our corporate clients see from decarbonization far outweigh the small cost increase they could start to face. Unequivocally, we don't think inflation will meaningfully slow the adoption of clean energy, if at all.

Next, we will spend a few minutes talking about our recent acquisition of Urban Grid in North America. Urban Grid is a leading utility scale solar developer in the United States with 20,000 megawatts of development pipeline in a leading position in the high-value PJM market. With this transaction, we have grown our global pipeline to approximately 62,000 megawatts. Urban Grid's pipeline includes 2,000 megawatts of under construction or ready-to-build solar projects. In addition, there are 4,000 megawatts of derisked advanced stage build-out opportunities that we expect to back with corporate contracts and build out over the next 6 years.

Further there is also significant additional upside based on the depth of its remaining and growing pipeline. The purchase price for the acquisition was $650 million, and we view it as an opportunity to invest hundreds of millions of dollars into further growth in the future. The reasons we are excited about this transaction are numerous, but to highlight a few: this was a bilaterally sourced opportunity where our ability to transact quickly and leverage our existing commercial relationships enabled us to transact with Urban Grid at attractive terms. These relationships, when combined with the construction-ready and advanced stage pipeline allow us to increase the scale of service to our largest customers as they look to achieve their own net zero ambitions through the use of new build solar.

We are also extremely excited to work alongside the experienced Urban Grid management team and build out their development pipeline of projects that are in high-value U.S. markets, such as PJM, MISO and TVA. All 13,000 megawatts of solar development in this pipeline have interconnection queue positions, which is specifically valuable in the PJM market, given the high demand for clean energy driven by significant data center load and increasing ambition -- ambitious RPS targets and limited supply of sites given that the market is undergoing significant interconnection queue reform. As such, we are well positioned to contract these projects, which are significantly derisked from an interconnection perspective with our deep list of corporate customers. As a result of these dynamics, our target returns on this investment are in excess of our 12% to 15% return target.

Lastly, we also continue to execute on our growth plans for our distributed generation business in the fourth quarter with leading capabilities in North America, South America, Europe and Asia, we are uniquely positioned to be a global solutions provider for clean on-site generation and decarbonization solutions. Our global DG business is 1,400 megawatts of operating capacity, and our global DG development pipeline has now increased to approximately 6,500 megawatts. Over the past 3 years, our distributed generation portfolio grew revenue by approximately 40% annually, bolstered by the acquisitions and strategic partnerships we have signed.

In the quarter, we expanded our portfolio by acquiring 780 megawatts of operating and development assets in Europe and South America, and we also signed a strategic agreement with Shoals Technology Group, a leading provider of balance of system solutions for storage, solar and e-mobility to pursue distributed renewable energy generation and EV charging solutions across the United States. We are uniquely positioned with leading capabilities across 4 continents and to provide global solutions for those looking for clean, on-site or behind-the-meter generation.

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

Wyatt Hartley ***Brookfield Renewable Corporation - CFO***

Thank you, Connor. In 2021, we generated FFO of $934 million or $1.45 per unit, a 10% increase from 2020 or 17% on a normalized basis as the business benefited from recent acquisitions, strong underlying asset availability and execution on organic growth initiatives. During the year, our hydroelectric segment delivered FFO of $639 million. The portfolio continues to exhibit strong cash flow resiliency given the increasingly diversified asset base, strong price environment and our recent recontracting initiatives delivering strong results even when generation was below long-term average.

Our wind and solar segments generated a combined $581 million of FFO, representing a 55% increase over the prior year. We benefited from contributions from acquisitions and approximately 770 megawatts of solar and wind projects commissioned during the year. Our energy transition segment generated $162 million of FFO, revenues from our pump storage assets as well as our distributed generation portfolio continue to demonstrate strong growth as global electricity generation decarbonizes.

Next looking at our balance sheet and liquidity. Our financial position remains robust with approximately $4.1 billion of total available liquidity at year-end, and our business model is self-funded. During the year, we executed on key financing and capital raising initiatives aimed at maintaining robust access to capital and a prudent debt maturity ladder as well as a low-risk investment-grade balance sheet. During 2021, we continue to take advantage of the low interest rate environment. As Connor mentioned, we executed on $13 billion of investment-grade financings, including $1.5 billion of upfinancings net to Brookfield Renewable, securing a weighted average debt maturity of 13 years with no material maturities over the next 3 years.

With these financing activities completed, our business is well protected against the potential of rising interest rates. We have very limited exposure to near-term maturities or floating interest rates across our business. We also continue to use opportunistic capital recycling as an important lever to drive value and fund growth. During the year, we executed on agreements to sell over 1,600 megawatts, generating proceeds of $1.5 billion, including an agreement in the fourth quarter to sell a 625 megawatt solar PV portfolio in Mexico at an attractive valuation of $400 million, which is more than double our underwritten value.

Before we hand it over for the question-and-answer session, I want to spend a few minutes on two topics: our development pipeline as well as our recent CAD 1.2 billion asset level upfinancing in Quebec. As Connor mentioned, we achieved a record level of development over 2021. We commissioned approximately 1,000 megawatts of new capacity and finished the year with over 15,000 megawatts of construction and advanced stage project. These projects are diversified across distributed and utility-scale solar, wind, storage, hydro and green hydrogen in 14 different countries. In total, we expect these projects to contribute almost $180 million in annual FFO to our business once completed.

We are pleased to have been able to commission nearly 1,000 megawatts of capacity on time and budget during the year, including our 360 megawatt solar project in Brazil, which was delivered ahead of schedule and our recently completed 160-megawatt wind repowering in New York state. This repowering is expected to increase generation of the facilities 25% by increasing rotor diameter to almost 120 meters and will also extend the life of the project by 30 years. The project, which was completed at a 40% discount to new build cost, is backed by revenue contracts with high-quality counterparties with a weighted average duration of 12 years that will increase revenues by approximately $10 million. We also added a 20-year full-wrap long-term service agreement with production guarantees to derisk the project going forward. This repowering was completed on time and on budget, despite the supply chain challenges facing developers around the world. We expect to earn returns on this project in line with our typical 12% to 15% return target.

Looking forward, it is estimated that 200 gigawatts of global wind capacity will reach 15 years of age within the next 5 years, creating an attractive opportunity for developers like us who have the right skill set and scale of capital. Looking at our own portfolio, we are progressing another 1,600 megawatts of repowering opportunities in the United States, and we look forward to updating you on these in the future. Regarding our latest financing initiatives, we strategically fast-tracked our refinancing activities into 2021 due to the potential of rising rates. And as a result, as I mentioned previously, we have no material maturities in the near term and very limited exposure to interest rates.

Today I want to walk you through the Lievre upfinancing. This transaction reinforces the opportunity we are seeing to sign attractive contract for large-scale hydros that appropriately value the dispatchable carbon-free natures of the assets in an increasingly intermittent grid. We signed a 40-year fixed escalating power purchase agreement for our 265 megawatt Lievre facility with Hydro-Quebec. The PPA is at an attractive premium to the prices the facility has historically achieved generating an additional $20 million of revenue from the project per annum.

Given the duration of the contract and the quality of the counterparty, we have raised CAD 1.2 billion, CAD 1 billion of which was an upfinancing a 40-year BBB investment-grade debt on the facility at a fixed coupon of 4%. This is our largest project financing to date, and we are highly confident that we will redeploy this capital into growth and when deployed at our target returns, it is expected to generate more than $100 million of annual net FFO for the business.

Said differently, through the recontracting and upfinancing of a single hydro asset, we can fund the majority of our targeted 2022 capital deployment at exceptionally attractive rates. With over 5,500 gigawatt hours of generation available for recontracting over the next 5 years and an increasingly constructive pricing environment for our hydro portfolio, we have significant capacity across our fleet to execute on similar contracts that we expect to contribute additional FFO and generate a highly accretive funding source for our growth. On behalf of the Board and management of Brookfield Renewable, we thank all our unitholders and shareholders for their ongoing support. That concludes our formal remarks for today's call. Thank you for joining us this morning.

And with that, I'll pass it back to our operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Robert Hope with Scotiabank.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

The list of capital deployment since last quarter seems a little bit longer than normal. Is this kind of just when the opportunities presented themselves or is the pipeline that you're seeing out there right now stronger than normal? And if it is stronger than normal, kind of what geographies and kind of asset generation types are most interesting?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Hi Robert, great question. It's certainly an acceleration of the pipeline. Very simply, what we are seeing is a growing opportunity set and we'd probably classify it in 3 buckets. Very simply, the industry is getting larger. So there are more and more opportunities to buy large or scale operating portfolios. So that's kind of bucket one that we're seeing growing. Secondly, as has been a theme for a number of quarters, approaching a couple of years now, we are seeing an increasing number of opportunities to do derisk development at very attractive risk-adjusted returns, and that's growing within our business.

And then thirdly, increasingly, we're seeing opportunities to be a capital provider and an operating partner to corporates that have their own decarbonization goals, but either don't have the capabilities or the money to fund the processes to get them to their objectives. We're in a great period because all 3 are accelerating right now, and that's candidly what you saw in terms of our growth activity in Q4.

Robert Hope ***Scotiabank Global Banking and Markets, Research Division - Analyst***

That's very helpful. And then just diving a little bit deeper into that development point that you put there. If we take a look at 2021, you put roughly 1,000 megawatts into service from your development pipeline. Is this the new run rate? Could we see this even increase further just given how much you've kind of increased the overall backlog there? Kind of what's the targeted amount of capital and megawatts you want to see put into service per year?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. So the way we look at these opportunities is always really from 2 perspectives: One, are they attractive risk-adjusted returns? And two, what's driving the growth and the increased deployment into development? It's simply the demand we're seeing from our customers. Our largest customers are providing us with an abundance of corporate PPA demand. And therefore, some of the transactions you would have seen us complete in Q4, both Urban Grid in North America and Cenovus in Germany was really about providing project pipeline that can match that corporate demand. In terms of your question around is 1 gigawatt the go-forward run rate? Absolutely not. The go-forward run rate is significantly higher than that based on, not only our pipeline, but the number of projects that we already have under construction or are contracted to be built out in the near term. In fact, if we look over the next 3 years, our expected build-out is north of 9 gigawatts over the next 3 years.

Operator

Our next question comes from Sean Steuart with TD Securities.

Sean Steuart ***TD Securities Equity Research - Research Analyst***

Just following on Rob's question. I think, Connor, the context you gave in your prepared comments was you expect that the return potential for the Urban Grid build-out would be above the high end of the target 12% to 15% return range. Can you qualify that at all? Are we at the high end of the range, significantly above the high end of the range? Any context you can give there.

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. And perhaps the easiest thing to do is explain some of the context around that transaction. As many on the call would have seen, throughout 2021, there's been a number of transaction activity related to large development platforms in the United States. And I would say as a business, we looked at all of those opportunities. And we couldn't find one that worked for us appropriately from a risk return or a value entry point perspective. And then we came across Urban Grid. And the joy of Urban Grid, both for us and the management team of Urban Grid, is it's an incredibly complementary transaction. With the management team and what the company of Urban Grid is best-in-class, it's securing land, interconnection and permits, the early-stage component of development, where we would like to think that Brookfield Renewable in the United States is leading is in corporate PPA procurement, power marketing, financing and construction.

And by finding that business that had its greatest strength in areas that complement ours, we were able to buy at what we think is very attractive value because we didn't have to pay for anything that we already had. From there, when you take those assets that we acquired through Urban Grid and you marry them with our existing demand from corporate contractors, particularly in the PJM market, we think we will be able to pull many of those projects through faster than perhaps Urban Grid could on its own. And that's really driving returns. One of the most exciting things is since this transaction has been announced, a number of our customers have actually reached out to us, preemptively, to try and secure some of the future power that might come from these assets. So, to put some context around this transaction, we view it certainly as at least a high-teens type return in our initial underwriting. And there is certainly upside from that level if we choose to pursue capital recycling of the assets in the future.

Sean Steuart ***TD Securities Equity Research - Research Analyst***

That's great detail. And further to that, when you talk about 9 gigawatts over 3 years, you guys clearly have a lot of internal horsepower to manage this. Based on your current human capital resource, what limit do you think the company is capable of now in terms of annual development? Is there -- what's the upper limit that you would think would be feasible for the company?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

I'm not sure there really is an upper limit at this point or certainly not one that we're worried about. We certainly see certain significant operating leverage existing within our business to push more assets through our existing platform. But perhaps one piece of context we can provide to that is, when we look at an acquisition like Urban Grid, make no mistake about it, it comes with best-in-class assets, but one of the other things we're also getting as part of that transaction is a best-in-class management team, that is going to drive value in the assets that came with the transaction and also across our broader portfolio. So, every time we do a transaction like that, it not only adds to the pipeline, but to use your word, it also adds to the horsepower to do more development and more growth activity in the future. But we're certainly not seeing any limit in the near term.

Operator

Our next question comes from Rupert Merer with National Bank Financial.

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

So you've highlighted the benefits of your hydro facilities and the benefits of upfinancing on hydro. How are you thinking about sell-downs on hydro? Is it fair to say there's still a price at which you might consider a sell-down or really is upfinancing kind of representative of a way you can recycle some of the capital from hydros in the future?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Rupert, great question. We have done sell-downs of hydros in the past, most recently, a few years ago. What we would say is what really has created the opportunity, particularly around the Lievre upfinancing is versus even 12 months ago, certainly versus 18 months ago, there is a much, much more constructive pricing environment around hydros, particularly in North America. And for the last couple of years, due to the pricing environment, we have been very hesitant to do anything that kind of locks in value around this portfolio, whether it be financings or monetizations.

Now we do believe our hydro portfolio is best-in-class and does truly represent some irreplaceable and strategic assets in key North American markets. So we value them appropriately. That is not to say that we would never sell them. There is a price for everything. But in the robust financing markets and when we can find a very strong counterparty, such as we did with Hydro-Quebec, we do see more opportunity in the near term to do things like the very accretive upfinancing that we completed in Q4.

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

All right. Very good. Looking at the German solar development, 1,700 megawatts, you highlight you're looking mostly at corporate contracts to build that out. I'm wondering if you can give us some color on what we're seeing in Europe right now? We have this really high power price environment. Is that accelerating development opportunities? And what is it going to do for return potential in that market?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. So maybe 2 comments. One thing that shouldn't be overlooked about the current high power price environment is for the last 5 or 6 years as the corporate PPA market has developed, really what we have been doing is we have been selling green power. But in a market such as this one, where energy and commodity prices have gone up dramatically, the joy of a corporate PPA on a renewables asset is there are no input costs. So a long-term corporate PPA is not only clean power, it also acts as an insurance policy against future price spikes or shortages in global commodity markets like we're seeing currently. And we're really using that not just in Europe, but around the world to enhance and drive an accelerated build-out of our corporate PPA business and our development pipeline.

In terms of what we're seeing in Europe, there's probably one dynamic that we would highlight, particularly around corporate PPAs that's really exciting to us, which is increasingly, the very large European offshore wind market is going to a subsidy-free model. And why that's really exciting to us as Brookfield Renewable is historically, these have been feed-in tariff type auctions that have turned into a cost of capital shootouts. That's not typically how we like to source business. But increasingly, as these very large offshore wind projects need to be built out on a subsidy-free basis, this represents some of the largest corporate contracting and power marketing opportunities we're seeing around the world and really creates an opportunity for us to use our capabilities that have been scaled using onshore wind and solar in North America and Europe over the last several years and now apply them to much, much larger offshore wind development opportunities in Europe. So we're still doing the same things onshore, but there's also this large growth opportunity for power marking, for subsidy-free offshore wind in Europe too.

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

So do you think this environment could accelerate your growth in Europe? Are you looking to put more resources into Europe given the state of the power market there?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Our growth in Europe has been pretty strong over the last few years, I would say, and we don't see it slowing down. So we continue to scale our platforms. Our largest businesses are in North America and Europe, and they continue to grow on, I would say, a double-digit basis year after year after year. Both markets are very constructive for us right now. So we'll continue to deploy as much capital as we can as long as we're seeing attractive risk-adjusted returns.

Operator

Our next question comes from Mark Jarvi with CIBC.

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

I just want to come back to the Lievre contract and the upfinancing that it provided. In terms of the premium pricing lift that you've got, is there anything in particularly special that you have, the seasonality, the power supply capacity payment requirements by the buyer of the power that drove the uplift? And I'm just trying to think through, but I don't know, can you see a similar magnitude of an uplift on some of your other hydro assets?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. Perhaps I'll start and Wyatt if there's anything you'd like to add, certainly chime in. What really created the opportunity around Lievre, which we thought was very exceptional was, one, we had a motivated buyer of the power, Hydro-Quebec; but two, Hydro-Quebec is a best-in-class, high-quality counterparty. And what we have been doing over the last 4 years is we've been preserving the back-end optionality of our hydros. In order for us to sign a long-term contract such as this and give up some of that back-end optionality, we really need to see 2 things. We need to see a significant premium, a very attractive price; we got that in Lievre. And secondly, we need to see that from a very high-quality counterparty because that allows us to do the significant upfinancing such as the one that we did in

December, which unlocks a huge amount of capital today that we can immediately invest in accretive growth.

And we will always look at these opportunities on a returns basis and an accretion basis, if you will. And it's really 2 components. One, are we getting the attractive price? And two, are we getting a high-quality counterparty that will also facilitate a very attractive financing that will unlock that capital that can fund accretive growth. Are there many opportunities like Lievre? It's tough to say, but we certainly see more in our portfolio, maybe not quite of the same scale, Lievre was a special asset, but we would expect to do more of this activity in the next few years, certainly if the constructive pricing environment continues.

Wyatt Hartley ***Brookfield Renewable Corporation - CFO***

Yes. And Mark, this is Wyatt here, the only thing I would add is around your specific point with Hydro-Quebec. And, look, we don't want to talk on their behalf, but from what they've said publicly, one thing that was a value to them was the capacity that this provides them during winter. And then they also have the ability to export that power in the summer when their capacity requirements are less. So there was seemingly a specific instance here that drove the desire to contract this asset.

But as Connor mentioned, overall, in terms of the environment for our hydros, just given the ability to deploy dispatchable carbon-free power that, that specific reason may not kind of replicate, but the overall environment, we expect there could be other reasons that our hydros become more attractive to contract long term. And so we -- as we mentioned, we have a meaningful amount of additional capacity coming off contract over the next 5 years, and we think that, that could create very meaningful opportunities like this going forward.

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

And then a couple of years ago, you guys reworked sort of the energy marketing contract with Brookfield. I think the prices are supposed to step down over time. And given what you're talking about here with Lievre and demand for hydro, is there an opportunity here to rework that or step out of that agreement, if you think you can lock in longer term around some of that hydro facilities?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

So in terms of that contract, it's a long-term contract. It remains in place. There's nothing today that would suggest that we're going to adjust that. And really the point we would make is while the pricing environment is constructive on an almost universal basis across our hydro fleet, the power price markets that these assets operate in are very different.

And in certain places, we do still have attractive contracts, and we're going to leave those in place and continue to benefit from those inflation-linked cash flows, but what we're probably most excited about in what Wyatt just alluded to, and something we touched upon briefly at Investor Day several months ago is, the contracts that are rolling off in the next few years are actually some of our lower-priced contracts and are the ones that are best positioned to take advantage of this more robust pricing environment.

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

Got it. And then maybe just last thing, in terms of the development pipeline typically getting stronger. But as you look out into 2022, you talked about some of the supply chain things. But things like WRO or the net metering policy stuff in California, is there any impact of that is going to have either a delay on any of the DG or utility scale solar stuff you're trying to do in the U.S. in 2022?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

No. If it is, it's immaterial, and it might be a couple of projects at most. The growth of that business is driven by, I would say, macro dynamics that far exceed, call it, near-term regulatory decisions. So, no concern from us there based on potential regulatory outcomes.

Operator

Our next question comes from Nelson Ng with RBC Capital Markets.

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

So Connor, you were -- you touched on those 3 buckets in terms of capital deployment. I know in the past you guys were more focused on acquiring operating assets and then more recently, there's been a larger focus on acquiring, I guess, development assets or platforms.

Given your return expectations on Urban Grid, should we assume that going forward, you'll be acquiring more development platforms and assets rather than operating assets?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

I wouldn't say so. What I would say is we look at all the opportunities that are available in the market and allocate our capital to where we see the best risk-adjusted returns. And there's 2 or 3 dynamics that suggest that there could actually be an increasing environment for operating assets going forward. Maybe just to reiterate a point, we have been doing a little bit more development recently, but that's because we have the corporate PPA demand to backstop it and really turn that into derisk construction at really attractive returns. We will continue to pursue that activity as long as we have that abundance of corporate contracting demand.

The second point I thought it might be important to highlight is one thing that we were excited about when you look at our growth activity in Q4 is, in one quarter, we executed M&A in each of our target markets and across each of our target asset classes. We obviously did wind and solar, but we bought operating hydros for the first time since 2017. We're very excited to continue to find opportunities in that market. And we also found opportunities in our transition and storage bucket in the U.K. So, there's certainly nothing to suggest that we aren't finding opportunities for operating assets as well.

And then the last point I would make is, it has been a very robust period of growth for the broader industry, and it's also been an extremely robust period in terms of access to capital. And we are very fortunate that we have a self-funding business model and therefore can pursue acquisitions kind of regardless of our access to the capital markets. But certainly, given some of the disruptions and down drafts for stock prices in our sector, we do see opportunities where some businesses with large operating portfolios, but growth ambitions as well may rely on the capital markets for capital might need solutions to fund that growth. And that could shake more operating assets loose in the future or it could represent opportunities for public market transactions, which is something we haven't done as much of, I would say, in the last 18 months. So I would say in terms of what we're seeing across our pipeline today, there's actually probably more operating assets in the pipeline than there were maybe 6 or 12 months ago.

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

Okay. That's great color. And just one quick follow-up. You mentioned that you're doing more development due to demand from corporate PPAs. So with the elevated power prices, are you kind of looking at opportunities to develop on a merchant basis and kind of benefit from near or medium-term power prices before maybe contracting a longer term at a -- to derisk assets? Is that a strategy now in terms of let's do merchant for a few years and then look to contract later on?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

We've operated our portfolio on a highly contracted basis for the last 5 or 6 years. We aren't going to materially change that strategy. The good news about the higher pricing environment is that it is showing up in PPA pricing as well. But the vast majority of the developed and vast, vast majority, almost all of it is going to be done on a contracted basis. That's really why we've been excited about the opportunities we're seeing is because if you can take a project that's ready to build, match it with a corporate contract, match it with a full wrap EPC contract in a long-term O&M agreement, you can do that at a really attractive return, but it's a very, very derisked project. You give some of that up if you play for the merchant price. And we've had success doing what we're doing, and that's going to be our continued playbook going forward.

Operator

Our next question comes from Mark Strouse with J.P. Morgan.

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

I just had one kind of clarifying question, Connor. When you talked about over 70% of the contracts being indexed to inflation, the other -- whatever it is, 30% less, is that fixed or are those kind of -- they have escalators, but the escalators are fixed? How should we think about that?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

It's largely fixed. And really, I'd make 2 comments there. On a regional basis, there's one market around the world that has largely fixed contracts for us, that's India. That's just standard in that market. And then secondly, some corporate PPAs, certainly not the majority of them, but some of them are fixed price. And when we get a fixed price corporate PPA, we certainly take that into account in our underwriting. But the comment I would make is when we say 30% are not indexed to inflation, those are largely fixed contracts on a regional basis, notably India, and then some of our corporate contracts just because that's what our customers prefer.

Wyatt Hartley ***Brookfield Renewable Corporation - CFO***

And the only other comment I'd make, Mark, is that even though 70% of our contracts are fixed to inflation and therefore, the remaining 3 are fixed. When you have a business of high margins that we'd have roughly 70% and then fixed rate debt, even if you have full cost inflation, the level of margin, the operating leverage you get with those high margins even at 70% of your contracts being indexed and then even additional leverage down at the FFO level is very meaningful.

Operator

Our next question comes from Andrew Kuske with Credit Suisse.

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

There's obviously a fixation on inflation for many, but maybe if you could talk a little bit about potential disinflationary benefits may be coming from just technological improvements, whether it's automation and operations, automation and construction, other forms of incrementalism. I just think of some simple examples like some technologies have been around for a long period of time. But with higher prices, the technology makes sense and it extracts extra value or extra production out of solar panels, as one example. If you could just give some commentary on that, where the consequences you'd see even more expanding margins?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Andrew, thank you, and I appreciate you highlighting this. We made a comment in our prepared remarks that some of the supply chain disruption that has created a little bit of CapEx inflation in our sector in the last couple of years. We view it as largely transitory. And there's really been 2 overarching impacts of that: One is a shortage of polysilicon supply for solar panels; and then secondly, simply logistical disruptions as the entire global economy tries to restart from being completely shut down during COVID. When we look at those 2 things, the great news is there is very good visibility on incremental polysilicon capacity coming online throughout 2022. So we expect that supply-demand dynamic to dramatically improve over the next 12 months.

And then simply, as the world recovers and the global economy recovers from COVID, we do expect some of those logistical issues to continue to work themselves out. What should not get lost in those discussions is wind and solar, on a global basis, are still relatively young industries in the grand scheme of things. They truly only operated at massive scale for approximately 10 years or you could argue even less. And as more and more wind and solar is built out around the world, supply chains continue to scale up and broader production costs continue to go down. That's simply economies of scale playing out. And then within wind and solar, we are still seeing technological improvements, maybe not to the pace that we were seeing 5 or 10 years ago.

But in particular, around software, we are seeing incremental improvements that are going to continue to drive production costs for wind and solar energy lower than they were kind of pre-COVID and these short-term disruptions. That's on wind and solar that are more mature technologies. Where we get really excited as a business is really around some of the storage applications. Battery costs are coming down at a very rapid rate, quite similar to what we saw in solar, 5 or 10 years ago. And we are at the point where batteries aren't quite yet cost-effective on a widespread basis, but they are increasingly becoming cost-effective in select markets.

Take, for example, the U.K. where we've created our storage development partnership in the last quarter. As we see battery costs continue to come down, adding that storage to wind and solar and creating more of a hybridization effect is going to drop the levelized cost of energy for that entire renewable solution going forward and once again, just continue to drive increased penetration of renewables and growth in the sector. So while the short-term supply issues, there's good visibility of costs coming down. We shouldn't lose sight of the long-term trends, which is certainly driving lower long-term production costs for clean energy.

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

Okay. That's very helpful. And just maybe one sort of follow-up to that. When you think about having batteries in a complementary fashion or supplementary fashion to parts of your existing portfolio, do you get excited about the potential for broadening out your ability to do 7/24 contracts in just many more geographies?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Absolutely. That's helpful to us in a couple of ways. One, a lot of what we do on the development side and the power contracting side is trying to meet the unique requirements of our customers. And increasingly, we are seeing more and more demand from industrial businesses, tech businesses that absolutely require uninterrupted around-the-clock clean energy. We've been filling that demand using our hydro and storage in select cases, but the ability to do that on an increased level is very attractive to both us and the clients we supply energy to. And then secondly, it just makes our power more economic. And that's going to be helpful for both deploying more capital and driving returns.

Operator

Our next question comes from Frederic Bastien with Raymond James.

Frederic Bastien ***Raymond James Ltd., Research Division - MD & Equity Research Analyst***

Just wondering on the development side, are you seeing opportunities to move forward on hydro projects that might not have been as attractive from a return perspective 18 months ago, perhaps even 6 months back?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Thanks, Fred. The comment we would make is we are aware that perhaps more so than the last few years, some hydro projects are increasingly popping up as potential development opportunities. We do have a small amount of hydro development within our portfolio. It's largely in Brazil, typically small hydros. Before we would pursue any large-scale hydro, we would take a very cautious approach to this type of development.

Part of the joy around our increased development activity in solar is simply because solar construction is a very de-risked process. It's quick to build. It's modular. It seldom requires working at heights. It can be done on an incrementalist basis with people starting on every part -- every side of a solar farm. Large-scale hydro is an incredibly involved process. And therefore, we would only consider those types of developments; one, where we think we could derisk them materially and two, where the returns justified it. So there are a few more projects popping up. We will certainly review them. But we'll certainly take a very cautious approach to large-scale development, always comparing it to the risk returns we see in other types of clean energy development.

Frederic Bastien ***Raymond James Ltd., Research Division - MD & Equity Research Analyst***

All right. That's great color. Now I appreciate you don't manage your business for the next quarter, but I was hoping to get a bit more color on how the business performed in Q4. The hydro assets did perform stronger from a year-over-year perspective, but we saw a bit of some weakness, at least on the FFO side on the other platforms. So what were the puts and takes there?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. So we'll highlight a couple of points here. It should not go unnoticed that our 10% increase in FFO per unit came in a year where we had, I would say, a frustrating amount of resource. It was certainly not a great year from a resource perspective. But a couple of things did really shine through, particularly in the latter part of the year and hopefully into Q1 as well. One of the diversity of our portfolio, Colombia had a great year for hydrology, where Brazil had a really tough year for hydrology; parts of the U.S. performed quite well in the second half of the year from a hydrology perspective, other parts, a little bit weaker.

As we look forward into next year, there's significant upside torque to our performance if we get a more normalized level of resource. But some comments we would make, in Colombia, we're entering the year with above LTA level of resource in our hydros. Secondly, in Brazil, throughout much of 2021, there was historically low hydrology in Brazil, creating almost drought-like conditions. The rainy season in

Brazil really starts in October, and there has been tremendous amounts of precipitation and hydrology inflows and it's almost shocking.

But where we're at today, reservoir levels in Brazil are actually higher than they were at this point last year. So that situation, although not all the way back to LTA, is dramatically improved versus where it was 4 or 5 months ago. And then lastly, when it comes to the United States and Canada, we continue to see the benefits of diversification within our portfolio. Some markets have certainly seen a recovery. There are other markets that are a little slower going into Q1. But on mass, I would say, we're in a nice position this year compared to where we were at this point last year.

Operator

Our next question comes from Ben Pham with BMO Capital Markets.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

The Hydro-Quebec 40 year contract, I don't think I've seen any recontracting last that long duration in inventory. So I'm curious, has that caused you to change more to the pause of the duration or operating asset values in your models or in terms of value assumptions and value for capacity, value for the hydro assets?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

No, it would be probably the simple answer. Really, what this was is we saw an opportunity to lock in prices at a material premium to where we were achieving and where we expected to achieve in our forecast. And then, secondly, do it with a high-quality counterparty under a long-duration contract where we could get very attractive financing. I would say, our view of underlying asset has not changed. And if anything, our view of hydros and the benefits they can provide in this market continues to increase. And we did this deal, taking all of that into account.

Benjamin Pham ***BMO Capital Markets Equity Research - Analyst***

Okay. And maybe a question for Wyatt and on the $1 billion of financing looks like -- firms up a lot of that wedge of the funding program that you have. So should we view this more as supporting that funding or is some of those wedges moving around?

Wyatt Hartley ***Brookfield Renewable Corporation - CFO***

Yes. It's a good question, Ben. So look, at Investor Day, we kind of spelled out our funding plan. So if we -- our target over the next 5 years -- and we really do think about it in kind of 5-year buckets, is anywhere from $5 billion to $6 billion of equity capital put into growth. And so, we kind of have 3 buckets to fund that. One, we had some additional corporate debt or perpetual preferred equity that we routinely issue, but limiting ourselves there on an investment-grade basis. That bucket continues to be one we expect to use, that would make anywhere from $1.5 billion to $2 billion.

The additional piece was -- or another piece was these type of asset upfinancing and a lot of it on the back of what we spoke about in terms of the ability to contract our hydros long term and what that means in terms of financing capacity, while maintaining strong investment-grade ratings at our assets. And that bucket we had always said was anywhere from kind of $2 billion to $2.5 billion. That factors this in. And so that's really just us executing on kind of that plan. And the remainder kind of that bucket, we're hopeful will come from some of the recontracting opportunities that we mentioned earlier in this call. And then that remaining kind of $2 billion to get to the $6 billion of capital needed for growth will come from our normal course asset recycling program. So this is really kind of have been factored into that funding plan we would have laid out on Investor Day.

Operator

Our next question comes from Matt Taylor with Tudor, Pickering Holt.

Matthew Taylor ***Tudor, Pickering, Holt & Co., LLC - Director of Midstream Research***

First I just wanted to start on with what's going on with your ability to self-fund growth with your hydro financing this year and then in years to come and just how robust your growth backlog has become? How are you thinking about the typical like -- how you typically invest where it's been on a 25% basis with all your partners? Do you see any opportunity to make that process a little bit less complex, meaning you're able to take on bigger shares of investments or just any thoughts on the way you're investing, if that's changed at all with the fundamentals that you're seeing?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly, good question, Matt, and I'll maybe come at it from a few different directions. We -- our primary form of investing is still going to be continued -- sorry, is still going to continue to be through our proportionate participation in Brookfield's private funds. That is going to be our primary source of investing. Now in order to fund those investments, the nice thing as Wyatt said is, we've essentially secured a large amount of capital to fund those essentially at 4%, which is going to be very, very accretive for our growth activity for the next 12 months. The second point we would make is maybe simply around the scale of opportunities we are seeing. And there are some very large opportunities in our pipeline and as we have in the past, some of those exceed the scale that is appropriate for our private funds and do create co-invest opportunities for Brookfield Renewable. And to the extent those become available to us because we are pursuing large transactions, we absolutely would expect to co-invest and perhaps increase our proportional activity in those investments slightly above what we do directly through the fund. So our approach is not going to change. But to the extent we do see large transactions, there will be opportunities for us to co-invest. And we certainly hope to execute some large transactions over the next 12 to 24 months.

Wyatt Hartley ***Brookfield Renewable Corporation - CFO***

And maybe, Matt, I would add just because you mentioned the word complexity and the way we fund our growth. But I think, look, the way we think about it is we do -- we structured the investment through the private funds because we believe that it's very additive to our business because it provides us a scale of capital to be able to look at transactions that are really differentiated. And as Connor mentioned before, especially if we're going into a period where there's disruption in capital markets where equity is traded down and so that funding lever isn't available for others, we have a pool of capital that we one, our liquidity, that standalone liquidity, but that significant dry powder from sovereign wealth funds and other institutional capital that we invest alongside of and it is available to be deployed very quickly is a huge differentiator. And so the structure well maybe could be viewed as more complexity. It really is very additive to our business model, and that's why we do it.

Matthew Taylor ***Tudor, Pickering, Holt & Co., LLC - Director of Midstream Research***

Great. And then if I could just finish on your FFO to share growth guidance, it's been in the 6% to 11% range, but you printed at 10% in 2021 and then you expect a 10-plus CAGR over here over the next couple of years. So I'm just wondering if that's still the right range, especially because the way you framed it is M&A is additive, but I mean the benefits of the Urban Grid acquisition are clear and you made them clear today. So do you still see that range as the right range given how your backlog on the organic side and then what opportunity you're seeing on the M&A side?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Great question, Matt. And we're not going to adjust our guidance here today, but we'll stay very consistent around the message we've given in the past, which is due to a number of things that are happening in the market right now, a much more constructive pricing environment than we've seen in the last couple of years, inflation in our contract base, continued margin enhancement.

And then a lot of that organic growth coming through over the next few years, we see a path to high single-digit FFO per unit growth, simply using organic growth initiatives within the business. And then from there, if we do continue to execute on M&A as we expect we will, that would be additive. What has changed in our business, positively changed in our business, is the amount of that per unit FFO per share growth that we can deliver simply with organic growth initiatives is much higher than it's been in the past, and that's largely because of the dollars we have already invested in the ground in development that is only going to start COD-ing and hitting our FFO either in the past year or next year. So we'll continue with our historic guidance, but the fundamentals of it remain unchanged, if not improved since we made that comment a few months ago.

Operator

Our next question comes from Naji Baydoun with IA Capital.

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

Just a quick question on some partnerships. I mean, last year, you've -- you're going to be working with Amazon on utility scale projects globally. You were working with Trane on distributor generation in the U.S. and now you announced the Shoal agreement. Can you just give us a bit more details on how these partnerships are going? And then secondly, where you see opportunities or gaps to execute on more strategic agreements?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly, and we'll probably put those in 2 different buckets. The first one with Amazon is simply a strategic collaboration where we look to build out clean energy projects to support their growth around the world and their increasing clean energy demand. We're also looking at other clean energy solutions for them and collaborating on that as well. That partnership, that collaboration continues to go very, very well. We're excited about the projects we're working on together, and we see the potential for it to scale going forward. The other 2 partnerships you mentioned, Shoals and Trane, those really are partnerships largely aligned with our distributed generation business.

And why we're excited about those and why on the back of Trane, we've also done the Shoals partnership is, in those situations, we are providing on-site clean energy as a solution for a customer. And there is one way to grow that business, which is providing more clean energy to that customer, but there's also other ways to create revenue within that relationship, which is offering more products.

And not like the energy efficiency building equipment like Trane offers or that might be things like EV charging solutions such as what Shoals offer. And therefore, what we are looking to do with our partners is create a decarbonization as a service product offering that can address any of the decarbonization needs of that customer and enhance that relationship such that we can expand it going forward. Because ourselves, Shoals, Trane, we all cover the same customer set. This is mutually beneficial for both the 3 of us and our customers who are getting a better product offering.

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

That's great. And just the second part of the question, where else do you think there are opportunities for these types of agreements, either by types of partners or by geographies?

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Certainly. So sorry for missing that. The part of the excitement of the Amazon strategic collaboration was we felt that we were one of the few counterparties that could service them on truly a global basis. We're seeing increased demand by the largest procurers of green power for multiregional or global solutions. So we expect to see more partnerships or collaborations like that one. And then within our DG business, I would say we have a very full suite of decarbonization solutions today, but the market is very rapidly evolving.

And therefore, if we see new products that are of interest to our customers and we can partner with leaders in the space to once again improve our product offering and enhance that customer relationship, we may look to do it across other decarbonization solutions as well. Where we sit today, I would say, we're much more likely to do more of the broader regional green power solutions. Our product offering on DG is already best-in-class, nothing there that we feel we're missing in the current environment.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Connor Teskey for closing remarks.

Connor David Teskey ***Brookfield Renewable Corporation - CEO***

Great. Well we'd like to thank you all for taking the time today, and I appreciate your interest and your continued support, and we look forward to updating you with our Q1 results in a few months. Have a great day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.