

# FINANCIAL REVIEW

Renewables

## **Genex's Kidston project back on track**

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30 March 2020

The Australian Financial Review

Renewable energy company Genex has been thrown a financial lifeline by EnergyAustralia which has agreed to sign up to a 30-year offtake agreement from its Kidston pumped hydro project in North Queensland.

The high-profile \$700 million project – which has been championed by clean energy advocates across the country as a way to transform the power grid – hit a hurdle last year when EnergyAustralia's parent company, GLP Group, balked at the length of the 20-year plus contract with Genex given the uncertainty in the energy market outlook.

It resulted in a plunge in share price for Genex which is also hoping for a \$610 million loan from the federal government's \$5 billion Northern Australia Infrastructure Facility.

But Genex – which is aiming to create a \$1 billion renewable energy hub on the site of an old gold mine in North Queensland – said it was always confident it would be able to lock in a new deal with EnergyAustralia.

Under the deal announced on Monday, EnergyAustralia will secure the full output from the 250 megawatt pumped hydro project for a fixed annual payment over 10 years, with two options for a further 10 years.

The news sent Genex's share price surging, with the stock up 70 per cent to 15¢ in late afternoon trading.

EnergyAustralia will no longer be a joint venture partner in project, which was mooted in the original deal, leaving Genex the next few months to lock in another partner to provide about \$100 million in equity.

Genex chief executive James Harding said the agreement with EnergyAustralia will allow them to move to financial close on the project in the second half of this year.

"The K2 hydro project will be the first pumped storage hydro project in the National Electricity Market in almost 40 years and the first to be developed under private ownership," he said.

"It will create over 500 jobs during construction and deliver significant economic benefits to Queensland through providing reliable generation for the grid and applying downward pressure on wholesale electricity prices."

Genex co-founder Simon Kidston said he was confident the NAIF loan would be formally approved in the next few weeks.

EnergyAustralia markets executive Ross Edwards said the offtake deal would underpin the development of a project that, once complete "will provide much-needed reliability and security for the electricity market as more renewables enter the system".

Mr Edwards described pumped hydro as the perfect technology to complement solar energy, able to store excess power in the middle of the day and then generate in the mornings and evenings when customers need it.

"It's important that we continue in the transition to a cleaner energy future through these challenging times to provide much-needed jobs and economic activity," he said.

Genex's \$1 billion energy hub includes a \$126 million, 50 megawatt solar project – which is already operational – the \$700 million pumped hydro project and a third stage which involves an expansion of the solar project as well as a 150 megawatt wind farm.

The Queensland government – which has set an ambitious 50 per cent renewable energy target by 2030 – has contributed \$132 million towards a \$232 million transmission line to connect the Genex hub to the grid. Genex has committed \$100 million towards the transmission line.

The progress at Kidston comes as other potential pumped hydro projects have stumbled.

AGL last month ditched a proposal for a project at the Kanmantoo copper mine in South Australia after failing to agree a way forward with partner Hillgrove Resources, while Origin Energy has slowed work on an expansion of its Shoalhaven pumped hydro project amid higher-than-expected costs.