

FINANCIAL REVIEW

Genex's Kidston hydro project wins \$610m federal loan

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The Morrison government's \$5 billion Northern Australia Infrastructure Facility has agreed to a \$610 million loan to build a pumped hydro project 270 kilometres north-west of Townsville, in far north Queensland.

In its largest allocation since it was established two years ago, the NAIF board said the concessional loan to the second stage of the Kidston renewable energy hub would help the shift to a low emissions future.



Genex's Kidston pumped hydro project in Queensland will supply EnergyAustralia. Geoff Hunter

The large investment in renewable energy is expected to annoy some Coalition backbenchers who continue to push for the Commonwealth to fund a new coal-fired power station in north Queensland.

Although Labor promised to scrap the controversial NAIF if it won the federal election, the re-election of the Coalition government has ensured the scheme will survive at least for the next three years.

NAIF chairwoman Laurie Walker said the loan to the Kidston pumped hydro project – the first investment since the May election – would help deliver 250 megawatts of electricity for north Queensland. The investment, which follows a conditional agreement last year, represents just over 12 per cent of NAIF's total \$5 billion facility.

"Energy storage facilities have a significant role to play in Australia's transition to a low-emissions, low-cost energy future," Ms Walker said.

"The project will provide far north Queensland with 250 megawatts of firm, dispatchable energy, improving energy reliability while lowering transmission losses and electricity prices."

Genex Power has been trying to build a \$1 billion renewable energy hub next to a former gold mine. It will include a pumped-hydro project – a form of energy generation championed by former prime minister Malcolm Turnbull – supported by wind and solar projects.

NAIF gave conditional agreement to a \$500 million concessional loan to the Kidston pumped hydro and second-stage solar project in June last year. It was dependant on a number of conditions, including signing a long-term energy storage agreement, final environmental approvals and final equity investments in the project.

Japanese firm J-Power has agreed to a \$25 million equity investment in the pumped hydro project. But Genex has decided to remove the second-stage solar project from the NAIF deal.

EnergyAustralia is finalising a deal to receive the energy generated from the pumped hydro project, while the Queensland government is close to signing off on a \$200 million, 185-kilometre transmission line to connect it to the grid.

The Queensland government has yet to sign off on passing through the NAIF funding to Genex, but this is expected to be a formality.

More than 500 jobs are expected to be generated during construction of the pumped hydro project which is expected to come online in 2022. Genex Power chief executive James Harding said he was confident the board would sign off on a final investment decision on stage two of the Kidston project soon.

"The decision by the NAIF board in providing its investment decision approval is a further indication of the significance of Genex's K2-Hydro project for northern Australia," he said.

"We have been gaining momentum with this project over the last few months and are confident that, given the status of discussions with various relevant stakeholders in the project, Genex will be in a position to reach financial close before 30 September this year."

Amid criticism it was too slow pushing money out the door, federal Resources Minister Matt Canavan ordered an overhaul of the NAIF investment criteria.

NAIF has committed nearly \$1.3 billion in loans, through investment decisions and conditional approvals, to 13 infrastructure projects across northern Australia.

This includes \$623 million in Queensland, \$345 million in the Northern Territory and \$295 million for Western Australia.

There are also 29 projects in the due diligence phase, including the CopperString 2.0 electricity transmission project, which is aiming to link the north-west minerals province in Queensland to the National Electricity Market, that was announced earlier this month